
ORLEANS PARISH SCHOOL BOARD

NEW ORLEANS, LOUISIANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/4/05

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2004

Introductory Section

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- **Principal Officials**
- **Letter of Transmittal**



CAFR

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana

**ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA**

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

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**ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA**

Principal Officials

Fiscal Year Ended June 30, 2004

SCHOOL BOARD MEMBERS

As of June 30, 2004

President	Cheryl E. Mills, Ph. D	District 1
	Gail Moore Glapion, M. Ed.	District 2
	Jimmy Fahrenholtz, J.D.	District 3
	Ellenese Brooks-Simms, M. Ed.	District 4
Vice President	Carolyn Green-Ford	District 5
	Una Anderson	District 6
	Elliot C. Willard, M. Ed.	District 7

Officers are elected for a term of one calendar year by Board Members. 2004 officers are show above.

EXECUTIVE DIRECTOR OF BOARD OPERATIONS

Anita P. Dumas, Ed. D.

ADMINISTRATIVE OFFICIALS

Superintendent (effective February 20, 2003)	Anthony Amato, M. Ed.
---	-----------------------

Deputy Superintendent of Operations (from November 3, 2003)	Kennedy Khabo
--	---------------

Deputy Administrator to the Superintendent (from July 20, 2004)	Ora Watson
--	------------

Chief Financial Officer (from April 1, 2004 to November 10, 2004)	Robert Peters
--	---------------

Interim Chief Financial Officer (from November 2004 to March 2005)	Julio Mollada
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**ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA**

Principal Officials (continued)

Fiscal Year Ended June 30, 2004

AREA SUPERINTENDENTS

Area I Superintendent (from September 3, 2003)	Matt George
Area II Superintendent (from July 24, 2003)	Dr. Julian Stafford
Area III Superintendent (from July, 24, 2003 to September 26, 2004)	Dr. Roslyn Smith
Area III Superintendent (from September 27, 2004)	Mr. Darryl Kilbert
Area IV Superintendent (from October 28, 2003 to June 9, 2004)	Dr. Scottie Griffin

DEPARTMENTAL EXECUTIVE DIRECTORS

Quality Control/Compliance (from July 27, 1984)	James Lloyd, Ed. D.
Exceptional Children's Services (from August 20, 1999)	Rosalynne Dennis, Ph. D.
Human Resources- Interim (from September 15, 2002 – November 17, 2003)	Judy Haines
Human Resources (from January 15, 2004)	Dr. Edgar Dillard
Title I (through September 28, 2003)	Leila Eames, M. Ed.
Title I (from October 28, 2003)	Arthur Johnson
Facilities & Auxiliary Services (from September 23, 2003)	Steve Freeman

DEPARTMENTAL EXECUTIVE DIRECTORS

Accounting Director	Augustus Davis
Finance Director (from August 21, 2003 through November 4, 2004)	Sue Alizadeh
Budget Director (from March 7, 2002 through May 12, 2004)	Michael Boudreaux
Budget Director (from August 30, 2004)	Octave Rainey



New Orleans Public Schools

3510 General de Gaulle Drive
New Orleans, Louisiana 70114

Anthony Amato
Superintendent

504.304.5702
504.309.5345 Fax

March 9, 2005

The President and Members
Orleans Parish School Board

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orleans Parish School Board (OPSB) for the fiscal year ended June 30, 2004. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rest with the OPSB.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the Statement of Net Assets (Deficit) and Statement of Activities of the OPSB. All disclosures necessary to enable the reader to gain an understanding of the OPSB financial activities have been included. This report also includes all funds and account groups of the School Board.

The CAFR is presented in three sections: Introductory, Financial and Statistical. The Introduction Section includes this Transmittal Letter and a list of principal officials. The Financial Section includes required supplemental information (Management Discussion and Analysis), basic financial statements, and other supplemental information, as well as the independent auditors' report on the basic financial statements. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

The OPSB is a political subdivision created under Louisiana State Statutes and has the power to sue and be sued, and to make rules and regulations for its own government consistent with the laws of the state of Louisiana and the regulations of the State Board of Elementary and Secondary Education. The School Board operates within Orleans Parish providing a full range of regular education and related services as required by the Louisiana State Statutes. It is authorized to establish public schools it deems necessary to provide adequate school facilities for the children of the parish, to determine the number of teachers to be employed and to determine local supplement to their salaries. Accordingly, the OPSB is not included in any other governmental reporting entity since its members are elected by the public for a term of four years and have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

All funds and entities controlled by or dependent on the OPSB are included in the CAFR. These financial statements present the Board as the primary government. It has two active component units, the New Orleans Charter Middle School (NOCMS), operated by Middle School Advocates, Inc. and James M. Singleton Charter Middle School. These schools are presented as

discrete component units and are included in the reporting entity because they are fiscally dependent on the OPSB.

The boundaries of the OPSB area of responsibility and the City of New Orleans are co-terminus and located near the mouth of the Mississippi River in Southeast Louisiana. The leading industries of the local economy are petroleum, port, tourism and construction. However, according to 2003 Kids Count Data Book 40.5% of children under age of 18 in Orleans Parish live in poverty.

The "new" New Orleans Public Schools: *Implementing the Strategic Critical Action Plan*

The challenges presented in the Orleans Parish School System are typical of many urban centers. Taken individually, any one challenge becomes daunting. However, if these challenges are examined through a systems approach, they can be resolved systemically and systematically. In my fifteen years of educational leadership all of my work has been around systems. Consequently, a general systems approach that embodies the key strategies of the "School Turnaround Model" is being implemented in the District.

Whether at the district, school or class level, a well-defined systems approach begins with clear targets. The targets for the Orleans Parish School System are clearly defined in the "Agenda for Excellence" and the "Critical Action Plan 2002-04." Under the leadership of the Board and Superintendent Amato the District focused its efforts on systematically addressing the following targets:

- Assistance to the lowest performing schools through assurance that:
 - Curriculum reform aligns to content standards and utilizes research-based models in all core content areas.
 - High School Reformation is targeted at impacting graduation and dropout rates.
- School District Redesign that supports:
 - Increased student achievement and district educational accountability through enhanced test sophistication and support.
 - Continuous improvement, through systemic professional development that is provided for all teachers and educational leaders.
 - The development and support of a continuous pool of educational leaders.
- Administrative Reform and Reorganization that is supportive of teaching and learning process at the schools and within the classrooms.
- Increase community involvement and support through collaboration, partnerships and volunteerism.

A brief summary of these reform initiatives implemented in 2003-2004 fiscal year follows.

Curriculum Reform Literacy

In Spring 2003, the NOPS embarked upon its Literacy Reform Initiative. The initiative was designed to increase student achievement in reading by transforming all teachers into data-driven scientific practitioners of reading instruction and by using SBRR curriculum with the ultimate goal of having all students reach their maximum potential for learning to read.

The Literacy Reform Conceptual Framework includes the five essential components of effective reading instruction: phonemic awareness, phonics, vocabulary, text comprehension, and fluency. It includes two additional components: powerful instructional processes and classroom management. All activities in the initiative are grounded in SBRR, best practices and NSDC standards for high quality professional development. Awareness sessions were held with literacy teams. Reform model representatives presented their respective programs to every elementary and high school faculty. Schools selected on their choice of Success for All or Direct Instruction. Fifty-nine (59) schools selected Success for All and forty-three (43) schools selected Direct Instruction. One hundred two (102) elementary and middle schools are implementing literacy reform models. Students were pre-assessed in May 2003, and student-specific materials were ordered to be in schools for the beginning of the 2003-2004 school year. High schools are implementing Direct Instruction with their 9th grade students who are reading below grade level.

Numeracy

Research on teaching and learning in mathematics indicate that better initial learning and greater retention occurs when students engage in learning activities which focus on the development of conceptual understanding through effective questioning, provide for review of basic skills in meaningful ways, and provide problem solving opportunities in a logical consistent and sensible manner. This research suggests that initiating a more rigorous reform model would ensure quality instruction for all students.

High Schools

Three reform models with proven results have been selected and are in the planning year stage for full implementation by August 2004. These comprehensive models provide the framework, technical assistance and support network to help high schools break the cycle that has undermined systemic and sustainable achievement needed to change student outcomes. The structured and refocused approaches of the reform models contain the organization and management, curricula, scheduling, resource allocations, and professional development needed to raise the performance levels in our high schools.

Reform Models

Talent Development High Schools (TDHS) is a comprehensive whole-school reform model for large high schools that face serious problems with student attendance, discipline, achievement scores, and dropout rates. The model was developed through a partnership with John Hopkins University Center for Research on the Education of Students Placed At Risk (CRESPAR).

Southern Regional Education Board (SREB)/High Schools That Work (HSTW) is the largest and oldest of the Southern Regional Education Board's seven school-improvement initiatives for high school and middle grades. The leadership component connects SREB with school leadership teams to focus on significantly improving leadership preparation and development that will positively impact the culture of our schools.

Institute for Research and Reform in Education (IRRE), First Things First (FTF) is an educational reform initiative for schools and school districts that can be adapted to their specific needs. **IRRE** staff and consultants work with schools as they organize small learning communities, involve families in supporting student success and develop new ways to engage all students in achieving high standards. Over time, schools implementing **FTF** expect to prepare all students for success in post-secondary education and high-quality employment.

Reconstitution through Systemic Recovery

On December 15, 2003, the Orleans Parish School Board unanimously approved the School Reconstitution Policy. In accordance with Louisiana Law and the Louisiana Education Policy Bulletin: I 11, Orleans Parish School Board Policy delineates the accountability framework and the process to be used for the development of Reconstitution plans for academically unacceptable schools. This policy also provides for the creation of a "district within a district". This *Renaissance* District will be comprised of reconstituted schools. The "new" district's mission is to focus on results - producing better outcomes for students in our most challenged schools.

The New Orleans *Renaissance* District model has nine basic components:

- a researched- based curriculum focused heavily on literacy and mathematics;
- a staffing model designed to ensure a highly qualified teacher in every classroom; . a proven instructional leader (principal) for every school;
- reconstituted middle schools to K-8, as supported by census and community;
- extended instructional days;
- reduced student teacher ratios with added dollars for materials and supplies;
- high quality professional development for teachers and administrators;
- a dedicated administrative and instructional support team; and,
- empowered parent and community involvement.

The *Renaissance* District will provide the infrastructure and organizational support for the eleven individual school reconstitution plans. The District's structural support is aligned with the state's guidance for reconstitution planning.

Financial Section

■ **Independent Auditors' Report**

■ **Required Supplementary Information-Part I**

■ Management's Discussion and Analysis (MD&A)

■ **Basic Financial Statements**

■ Government-Wide Financial Statements (GWFS)

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■ Notes to the Basic Financial Statements

■ **Required Supplementary Information-Part II**

■ Budgetary Comparison Schedules

■ **Other Supplementary Information**

■ Combining and Individual Fund Statements and Schedules



CAFR

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana

Required Supplementary Information-Part I

■ Management's Discussion and Analysis (MD&A)

CAFR

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana



Postlethwaite & Netterville

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INDEPENDENT AUDITORS' REPORT

The Orleans Parish School Board

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orleans Parish School Board (School Board) as of and for the year ended June 30, 2004, which collectively comprise the School Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Board's management. We were not engaged to audit the financial statements of the New Orleans Charter Middle School whose statements reflect total assets of \$2,279,614 as of June 30, 2004, and total revenues of \$2,228,312, for the year then ended. We were not engaged to audit the financial statements of James M. Singleton Charter Middle School whose statements reflect total assets of \$624,998 as of June 30, 2004, and total revenues of \$2,153,029, for the year then ended. Those financial statements were audited by other auditors.

As discussed in Note 14 to the financial statements, the School Board has expended certain federal and state grants that may have violated certain of the restrictive provisions of the related grants. The possible outcome of these matters, which are under investigation, is uncertain at this time. Provision for liability has been made for specific currently identified costs. No additional provision, if any, for possible federal and state claims for refunds of grant monies, has been made based on the current investigations.

As discussed in Note 14 to the financial statements, the School Board has identified certain potentially illegal acts, involving former employees which are under investigation by the Justice Department. The School Board has also identified questionable payroll transactions which are under investigation by the Louisiana Legislative Auditor. The possible outcome of these matters is uncertain at this time. No provision for liability or recovery, if any, has been made in the basic financial statements.

The basic accounting and reporting systems for revenues, receivables, disbursements, accounts payable, accrued liabilities, payroll, and fixed assets were not effective during the year ended June 30, 2004 which resulted in inadequate accounting records. The magnitude of these systems was of such significance to the financial records and the overall financial reporting to the School Board that we were unable to gather sufficient competent evidential matter to complete our audit.

We were unable to obtain audit evidence of the activity of the transactions and resulting receivables and payables between funds. As a result, the accuracy and appropriateness of these transactions and balances cannot be determined.

We were unable to obtain written representations from management of the School Board as required by auditing standards generally accepted in the United States of America.

Because of the significance of the uncertainties described above, and since the scope of the work, as described above, was not sufficient, we are unable to express and we do not express, an opinion on the School Board's basic financial statements as listed in the table of contents.

The management's discussion and analysis and budgetary comparison information on pages xiv through xxvi and pages 46 through 48 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying supplementary information consisting of the introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. We did not audit the information and we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2005 on our consideration of the Orleans Parish School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Pastlithwaite & Methivilly

New Orleans, Louisiana
March 9, 2005

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview and Analysis of Financial Activities

The **Orleans Parish School Board (School Board)**, as the financial manager of the Orleans Parish School System, offers the readers of these financial statements an overview and analysis of the financial activities of the **School Board**. This overview and analysis is designed to assist the users of these financial statements in focusing on significant issues, identify significant changes in the **School Board's** financial position both at the government-wide and fund levels, and highlight material changes from the **School Board's** approved budget documents.

Our discussion and analysis of the School Board's financial performance provide an overview of its financial activities for the fiscal years ended June 30, 2004 and 2003. This discussion and analysis should be read in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages viii through xvi, and the financial statements on pages 1 through 83.

Financial Highlights

At June 30, 2004 and 2003, the **School Board's** total assets of \$397,442,359 and \$392,320,200 were less than total liabilities by \$63,938,341 and \$59,494,439, respectively.

The overall decrease in total assets for the fiscal year ended June 30, 2004 (*fiscal 2004*) resulted primarily from the net change in cash and cash equivalents, investments, receivables and capital assets.

An overall increase in total liabilities for fiscal year 2004 resulted from the net change in accounts payable, salaries and related deductions, deferred revenues, claims payable and the current portion of long-term debt.

Program revenues for fiscal 2004 were \$108,855,756 or 20% of total revenue, as compared to \$99,711,339 or 19% for the fiscal year ended June 30, 2003 (*fiscal 2003*).

General revenues for fiscal 2004 increased by 3% from fiscal 2003, due primarily to the net change resulting from an increase in taxes collected coupled with a decrease in investment earnings and other general revenues.

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Using this Comprehensive Annual Financial Report

The **School Board's** Comprehensive Annual Financial Report (CAFR) consists of a series of financial statements that show information for the **School Board** as a whole, its funds, and its fiduciary responsibilities.

Government-wide Financial Statements (pages 1-4) include the Statements of Net Assets (Deficit) and Activities respectively, provide information about the activities of the **School Board** as a whole and present a longer-term view of the **School Board's** finances. In summary, the government-wide financial statements show the results of operations and financial position using the *total economic resources* measurement focus and the accrual basis of accounting which emphasizes the long-term financial picture and are very similar to the financial statements of the private sector.

Fund Financial Statements (pages 5-15) present information for three fund categories - governmental, proprietary and fiduciary. Financial statements for governmental funds tell how we financed our services in the short-term as well as what remains for future spending. These fund statements provide the reader with some insights into the **School Board's** overall financial health. In short, the fund-level financial statements show the results of operations and financial position using the *current financial resources* measurement focus and modified accrual basis of accounting, emphasizing the change in fund balances as a result of the current year's operations, as well as the amount of resources available to spend.

Fund financial statements also report the **School Board's** operations in more detail than the government-wide financial statements by providing information about the **School Board's** most significant fund(s) - such as the General Fund, the Improving America's Schools Act/No Child Left Behind Act Fund and the Capital Projects #2 Fund. The Governmental Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances include the major funds as well as an aggregate of the remaining funds that report general government operations. Proprietary Funds – Internal Service are an accounting device used to accumulate and allocate costs internally among the School Board's major functions/funds. The **School Board** uses internal service funds for certain of its risk/insurance and print shop costs. Because these services predominantly benefit the governmental rather than business-type functions they are included within governmental activities in the government-wide financial statements.

The remaining statements, the Statement of Changes in Fiduciary Net Assets for the Fiduciary Funds and the Statement of Revenues, Expenses and Changes in Net Assets for the Proprietary Funds, present financial information about activities for which the **School Board** acts solely as an agent for the benefit of students and parents and the financing of services provided by one department to others of the School Board, respectively.

Other sections include *Notes to the Basic Financial Statements* (pages 16-46) and certain *Required Supplementary Information* (pages 47-49), as shown in the following outline.

Basically, the CAFR consists of the following major sections:

- Introductory Section
- Financial Section
- Statistical Section

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The following provides you with an overview of the content of the CAFR, by section.

INTRODUCTORY SECTION

- Table of Contents
- Principal Officials
- Transmittal Letter

FINANCIAL SECTION

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- Agency Funds Statements
- Capital Assets Used In the Operation of Governmental Funds

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 - Property Tax Rates and Tax Levies - Direct and Overlapping Governments - Last Ten Fiscal Years
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 - State Support and Local Support Per Student - Last Ten Fiscal Years
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 - Board Members- Compensation
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ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Using this Comprehensive Annual Financial Report, Continued

Our auditors indicated that they are unable to and do not issue an opinion on the Basic Financial Statements in their independent auditor's report, located immediately preceding this Management's Discussion and Analysis.

Reporting on School Board as a Whole

The **School Board** implemented Governmental Accounting Standard Statement No. 34 and related amendments in fiscal year ended June 30, 2002. Consistent with the fiscal year ended June 30, 2003 and 2002, the current year's statements focus on the **School Board** as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major funds), allow the reader of the financial statements to address relevant questions and broaden a basis for comparison (year to year).

One of the most important questions asked about the **School Board's** finances is, "Is the **School Board** better or worse off as a result of the year's activities?" The *Statement of Net Assets (Deficit)* and the *Statement of Activities*, shown on pages 1-4, report information about the **School Board** as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received and/or paid.

Also, component units are separate legal entities to which the **School Board** may be obligated to provide financial assistance and are presented as a separate column in the government-wide and as individual activities in the accompanying financial statements.

Statements of Net Assets (Deficit) and Activities, report the **School Board's** net assets or deficit and changes in them. The change in net assets (deficit) provides the reader a tool to assist in determining whether the **School Board's** financial health is improving or deteriorating. However, the **School Board's** primary responsibility or mandate is to provide instructional and related services to its student population. As such, the Statements of Net Assets (Deficit) and Activities for the **School Board**, report governmental activities such as instruction, support services, interest on debt and food services. Most of these activities are financed with taxes (ad valorem, sales and use), Minimum Foundation Program funds (MFP), and state and federal grants. The reader will need to consider other nonfinancial factors such as property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the **School Board**.

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Reporting School Board's Most Significant Funds

Fund Financial Statements

Our analysis of the **School Board's** major funds begins on page 5 of the basic financial statements. The fund financial statements provide detailed information about the most significant funds - not the **School Board** as a whole. Some funds are required to be established by State law and by bond covenants. However, the **School Board** has established other funds to help it control and manage for particular purposes (such as the Child Nutrition) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as grants from the Department of Education). The **School Board's** funds (governmental, proprietary and fiduciary) use the following accounting approach:

Governmental Funds - All of the **School Board's** services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detail *short-term* view of the **School Board's** operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the **School Board's** programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets (Deficit) and the Statement of Activities) and governmental funds through reconciliation to the basic financial statements on page 10 of the financial statements.

Proprietary Funds - Proprietary funds for the **School Board** use the accrual basis of accounting, the same as on the government-wide statements. These funds are used to account for the financing services provided by the **School Board's** departments, (such as health, life insurance, workers' compensation, print-shop, etc.). The Balance Sheet, Statement of Revenues, Expenses and Changes in Net Assets and Statement of Cash Flows reports are presented on pages 11-13 of the basic financial statements.

Fiduciary Funds - The **School Board** is the trustee, or fiduciary, for its student activities funds. All of the **School Board's** fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 14 and 15 of the basic financial statements, respectively. We exclude these activities from the **School Board's** other financial statements because the assets cannot be utilized by the **School Board** to finance its operations.

Infrastructure Assets

The **School Board's** capital assets include land, construction-in-progress and exhaustible capital assets (buildings and improvements, equipment, furniture and fixtures, transportation, etc.) that are used in operations.

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-wide Financial Analysis

The **School Board's** net assets (deficit) were \$(63,938,341) at June 30, 2004 and \$(59,494,439) at 2003. Of these deficits, \$(69,435,635) and \$(50,444,088) were unrestricted at June 30, 2004 and 2003, respectively. Restricted net assets are reported separately to show legal constraints from debt covenants, capital projects and enabling legislation that limit the **School Board's** ability to use those net assets for day-to-day operations. As of June 30, 2004 and June 30, 2003, the restricted net assets amounted to \$58,494,627 and \$55,884,289, respectively.

The following analysis focuses on the Statement of Net Assets (Deficit) (Table 1) and Statement of Activities (Table 2) of the **School Board's** governmental activities.

TABLE 1
Condensed Comparative Statements of Net Assets (Deficit)
At June 30, 2004 and 2003

	<u>Governmental Activities</u>		<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percent (%)</u>
	<u>2004</u>	<u>2003</u>		
Current and other assets	\$ 159,469,182	\$ 157,496,979	\$ 1,972,203	1.25
Capital assets, net	<u>237,973,357</u>	<u>234,823,221</u>	<u>3,150,136</u>	1.34
Total assets	<u>397,442,539</u>	<u>392,320,200</u>	<u>5,122,339</u>	1.31
Current and other liabilities	107,543,628	89,402,233	18,141,395	20.29
Long-term liabilities	<u>353,837,252</u>	<u>362,412,406</u>	<u>(8,575,154)</u>	(2.37)
Total liabilities	<u>461,380,880</u>	<u>451,814,639</u>	<u>9,566,241</u>	2.11
Net assets (Deficit):				
Invested in capital assets, net of debt	(52,997,333)	(64,934,640)	11,937,307	18.38
Restricted	58,494,627	55,884,289	2,610,338	4.67
Unrestricted	<u>(69,435,635)</u>	<u>(50,444,088)</u>	<u>(18,990,547)</u>	(37.64)
Total net assets (deficit)	\$ <u>(63,938,341)</u>	\$ <u>(59,494,439)</u>	\$ <u>(4,443,902)</u>	(7.46)

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-Wide Financial Analysis, Continued

At June 30, 2004, the \$(69,435,635) net deficit in assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities (for example estimated compensated absences and claims), we would have insufficient unrestricted assets.

The advanced age of the School Board capital assets combined with outstanding long-term debt are the main reasons for this shortage. The School Board will need to develop a strategic plan to maximize financial resources, and modernize its facilities at a rate greater than any future increase in debt.

Capital assets increased slightly from June 30, 2003 to June 30, 2004 by a net amount of \$3,150,136. The primary composition of the net change includes the excess of additional equipment purchased over the current year depreciation and an adjustment for depreciation on buildings and improvements using the "mid-year convention." Under the mid-year convention, in the year the building project is considered acquired, depreciation is calculated for one half of the normal annual amount under the straight line depreciation. Because the official completion date and placed in service date frequently vary for buildings and improvements, management believes that the mid-year depreciation method presents a charge in the initial year of use. See the notes in the accompanying financial statements for additional discussion regarding the changes in beginning and ending capital assets and related accumulated depreciation.

The increase in current and other liabilities is primarily the result of claims resulting from several workers' compensation, personal injury action and contractual lawsuits. A significant claim currently under Petition for Relief is included in claims payable at an estimated \$6,000,000. Long-term liabilities decreased through a \$16,040,279 reduction in bonds and interest payable, offset by an increase in claim payable. See Note 14 in the accompanying financial statements for additional discussion regarding litigation.

The results of this year's operations for the **School Board** as a whole are reported in the Statement of Activities. Table 2 takes the information from that Statement, rounds off the numbers, and rearranges them slightly so you can see the **School Board's** total revenues and expenses for the fiscal years ended June 30, 2004 and 2003.

The decrease in investment earnings from fiscal 2003 to fiscal 2004, results from the decline in interest rates as a result of the nation's economy and less excess cash. During 2004, interest rates dropped dramatically to a low average of 2%. The significant change in other general revenues results from an increase in ad valorem taxes of \$11,899,964 and an increase in miscellaneous revenue of \$3,780,490.

Compared to fiscal 2003, fiscal 2004 reflected decreases (nine categories) in operating expenses outnumbered increases (five categories) and overall costs increased for the functional categories by \$3.47 million, as listed at Table 2 from fiscal 2003 to 2004.

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-Wide Financial Analysis, Continued

The overall increase in costs is due primarily to the **School Board's** continued focus on the provisions of instructional and related support services aimed at academic excellence of its student population. Specifically, the increase in personnel and related benefit costs, as well as the effect of inflationary pressures, on other costs in the area of general administration of the **School Board's** activities contributed to the increase in the cost functions previously described.

TABLE 2
Condensed Comparative Statement of Activities (in thousands)
For the Years Ended June 30, 2004 and 2003

	<u>Governmental Activities</u>		<u>Variance</u> <u>Increase</u> <u>(Decrease)</u> <u>Amount</u>	<u>Variance</u> <u>Increase</u> <u>(Decrease)</u> <u>Percent (%)</u>
	<u>2004</u>	<u>2003</u>		
Revenues				
Program Revenues:				
Charges for services	\$ 586	\$ 3,699	\$(3,113)	(0.84)
Operating grants	<u>108,269</u>	<u>96,012</u>	<u>12,257</u>	12.76
Total program revenues	<u>108,855</u>	<u>99,711</u>	<u>9,144</u>	9.17
General Revenues:				
Ad valorem taxes	102,894	90,994	11,900	13.07
Sales taxes	93,253	91,644	1,609	1.76
Investment earnings	795	1,268	(473)	(37.30)
Grants and contributions	216,754	222,136	(5,382)	(2.42)
Other general revenues	<u>17,959</u>	<u>14,279</u>	<u>3,680</u>	25.77
Total general revenues	<u>431,655</u>	<u>420,321</u>	<u>11,334</u>	2.70
Total revenues	<u>540,510</u>	<u>520,032</u>	<u>20,478</u>	3.94

(continued)

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-wide Financial Analysis, Continued

TABLE 2, Continued
Condensed Comparative Statement of Activities (in thousands)
For the Years Ended June 30, 2004 and 2003

	<u>Governmental Activities</u>		<u>Variance</u> <u>Increase</u> <u>(Decrease)</u> <u>Amount</u>	<u>Variance</u> <u>Increase</u> <u>(Decrease)</u> <u>Percent (%)</u>
Functions/Program Expenses	<u>2004</u>	<u>2003</u>		
Instruction:				
Regular programs	\$186,936	\$ 190,254	\$ (3,318)	(1.74)
Special education programs	62,667	62,819	(152)	0.24
Other instructional programs	68,859	49,708	19,151	
Support Services:				
Student services	33,016	26,846	6,170	22.98
Instructional staff support	17,740	20,750	(3,010)	(14.50)
General administration	10,367	22,988	(12,621)	(54.90)
School administration	24,388	29,615	(5,227)	(17.64)
Business services	13,809	5,599	8,210	146.63
Plant services	48,864	54,924	(6,060)	(11.03)
Student transportation services	19,878	18,865	1,013	5.36
Central services	17,276	15,268	2,008	13.15
Food services	25,798	26,186	(388)	(1.48)
Interest on long-term debt	17,866	19,171	(1,305)	(6.80)
Other	<u>1,232</u>	<u>2,233</u>	<u>(1,001)</u>	<u>(44.82)</u>
Total expenses	<u>548,696</u>	<u>545,226</u>	<u>3,470</u>	<u>(0.63)</u>
Change in net assets	<u>(8,186)</u>	<u>(25,194)</u>	<u>17,008</u>	<u>67.50</u>
Beginning net assets (deficit)	(59,494)	(31,434)	(28,060)	(89.26)
Prior periods adjustments	<u>3,742</u>	<u>(2,866)</u>	<u>6,608</u>	<u>230.56</u>
Beginning net assets (deficit), as restated	<u>(55,752)</u>	<u>(34,300)</u>	<u>(21,452)</u>	<u>(62.54)</u>
Ending net assets (deficit)	<u>\$ (63,938)</u>	<u>\$ (59,494)</u>	<u>\$ (4,444)</u>	<u>(7.46)</u>

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-wide Financial Analysis, Continued

Overall Analysis - As reported in the Statement of Activities, the total costs of all of our governmental activities for the two fiscal years ended June 30, 2004 and 2003 were \$ 548,696,073 and \$545,226,265, respectively. Some of the costs were paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions of \$108,269,515 for 2004 and \$96,012,156 for 2003. We paid for the remaining "public benefit" portion of our governmental activities with revenues from sales and ad valorem taxes levied of \$196,146,788 for 2004 and \$182,637,959 for 2003. Additionally, \$216,754,244 for 2004 and \$222,136,214 for 2003 in State MFP funds as well as other revenues including interest and State sharing revenues paid for the remaining public benefit.

Also, the Statement of Activities for the **School Board** shows the cost of program services and the charges for services, grants and contributions offsetting those services. Table 3 below reflects the cost of program services and the net costs of those services after taking into account the program revenues for the governmental activities, general revenues (including tax revenue) investment earnings and unrestricted State entitlements used to support the net costs of the **School Board's** programs.

TABLE 3
Comparative Governmental Activities (in thousands)
For the Years Ended June 30,

	-----2004-----		-----2003-----	
	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>
Regular instruction programs	\$186,936	\$155,488	\$190,254	\$180,853
Special instruction programs	62,667	51,819	62,819	54,083
Other education programs	68,859	56,771	49,708	5,826
Student services	33,016	27,471	26,846	25,614
Instructional staff support	17,740	14,634	20,750	11,906
General administration	10,367	8,596	22,988	22,962
School administration services	24,388	20,324	29,615	29,541
Central services	17,276	14,238	15,268	15,096
Business services	13,809	11,400	5,598	5,519
Student transportation services	19,878	16,523	18,865	18,314
Plant services	48,864	40,273	54,924	54,365
Other	1,232	1,232	2,234	385
Food services	25,798	3,205	26,186	1,880
Interest on long-term debt	<u>17,866</u>	<u>17,866</u>	<u>19,171</u>	<u>19,171</u>
Totals	<u>\$548,696</u>	<u>\$439,840</u>	<u>\$545,226</u>	<u>\$445,515</u>

Overall, the net cost of services in fiscal 2004 remained approximately the same. There were marked increases in the categories of other education programs, student services, and business services while the areas of regular instruction, general administration, school administration, plant services and interest on long-term debt decreased substantially. Major reasons for the variances may be attributed to emphasis on different academic programs and management staffing, a change in allocation of the program revenues among expense categories and expense variations, such as the cost for an upgrade of the **School Board's** human resource, payroll and financial systems.

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

School Board's Funds

The **School Board** uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the **School Board** is being accountable for the resources taxpayers and others provide to it. It may also give you more insight into the **School Board's** overall financial health.

The **School Board's** governmental funds reported a combined fund balance of \$79,528,113 for fiscal 2004 and \$92,503,295 for fiscal 2003. The decrease in fund balance of \$12,975,182 from fiscal 2003, results from a deficiency in revenues over expenses and other financing sources and uses coupled with a prior period adjustment in the amount of \$4,977,202 to correct an understatement of revenue in special revenue programs, the overstatement of deferred revenues and due to other governments, and to correct the understatement of payables and accrued liabilities from prior fiscal years.

Total Revenues before Other Financing Sources (Uses) increased by \$19 million (or 3.5%) from 2003 to 2004, and trailed expenditures which increased by \$17.5 million for the year ended June 30, 2004 and accounted for 103% of revenues, as compared 104% for 2003.

Other significant changes in governmental funds follow:

General Fund

Reassessment of property values for ad valorem taxes resulted in an increase in property assessments. However, the delay in the approval of the millage rates and subsequent mailing of the tax bills caused a delay in collection of the ad valorem tax revenues. A short term loan was initiated for cash flow purposes and was paid in full by June 30, 2004. Because of the delay in revenue collection, investments decreased from \$57.7 million in 2003, to zero in 2004. The increased assessments and aggressive collection effort of the taxes by the City of New Orleans in 2004 resulted in an increase in ad valorem tax revenue by approximately \$17 million.

Special Revenue Funds

Revenues increased for IASA/NCLB and State and Local grants by \$2.8 million and \$7.2 million, respectively while revenues decreased slightly for IDEA (\$0.9 million) and Other Federal (\$1.8 million) grants. The General Fund subsidized excess expenditures for IASA/NCLB and State and Local grants exceeded revenues by \$3.6 million and \$1.8 million, respectively as well operating deficits of \$0.8 million in Other Federal grants and \$0.9 million for the Child Nutrition Fund.

Capital Projects Fund #2 and Other Capital Projects Funds

For Capital Projects #2, Capital outlays in connection with renovations and repairs to capital assets amounted to \$8,309,629 in fiscal 2004, as compared to \$14,952,395 in fiscal 2003. Overall, expenditures for all of the School Board's Capital Projects Funds in fiscal 2004 totaled \$13,674,569 versus \$20,057,046 for fiscal 2003. The 2003-04 fiscal/school year marked the opening of two schools facilities, Edgar P. Harney Elementary in central city and the new Henry C. Schaumburg Elementary in Eastern New Orleans; the latter school replaced a school which had been heavily infested by termites.

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

General Fund Budget Information

Over the course of the year, the **School Board** revises its budget as it attempts to deal with unexpected changes in revenues and expenditures.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2004 and 2003, the **School Board** had invested in a broad range of capital assets, including land, buildings and improvements, furniture and equipment, transportation equipment, and construction-in-progress.

A comparative analysis of capital assets follows:

	<u>Governmental Activities</u>	
	<u>----- June 30, -----</u>	
	<u>2004</u>	<u>2003</u>
Land	\$ 29,540,926	\$ 29,540,926
Buildings and improvements	474,247,849	438,588,713
Furniture and equipment	43,275,913	36,155,868
Transportation equipment	13,246,078	13,246,078
Construction-in-progress	<u>19,086,204</u>	<u>45,085,405</u>
Totals	<u>\$579,396,970</u>	<u>\$562,616,990</u>

See Notes 2H and 6 in the accompanying Notes to Financial Statements, for additional information regarding capitalization and depreciation policies and changes in capital assets for fiscal 2004.

Debt

Obligations include bonds, notes payable and other long-term obligations including accrued vacation and sick leave pay. We present more detailed information about our long-term liabilities in Note 9 in the notes to the accompanying financial statements.

Pursuant to the requirements of LSA-R.S. 39:562, the **School Board** is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of the taxable property (including homestead exempt and non-exempt property) within the Parish of Orleans. At June 30, 2004 and 2003 the statutory debt limit for general obligation bonds as \$911,613,485 and \$788,094,650, respectively with a net legal debt margin of \$780,423,197 in fiscal 2004 and \$644,882,612 in fiscal 2003.

Economic Factors and Next Year's Budgets and Rates

Expenses and expenditures are expected to decrease in order provide the **School Board** with improved cash flow and to reduce the deficit in the fund balance.

ORLEANS PARISH SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Contacting the School Board's Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, and investors and creditors with a general overview of the **School Board's** finances and to show the **School Board's** accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Mr. Christopher Fagot, Interim Controller, (telephone number (504) 304-5762) or Dr. Anita P. Dumas, Executive Director of Board Operations (telephone number (504) 304-5735), at **Orleans Parish School Board**, 3510 General de Gaulle Drive, New Orleans, Louisiana 70114.

Basic Financial Statements

■ Government-Wide Financial Statements

■ Statement of Net Assets (Deficit)

■ Statement of Activities

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ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2004

ASSETS

	Primary Government	Component Units
Cash and cash equivalents	\$ 27,907,322	\$ 1,303,751
Investments	25,435,481	-
Taxes Receivable:		
Sales tax	15,416,489	-
Motor vehicle	2,796,705	-
Ad valorem taxes	11,665,289	-
Due from Fiduciary Funds	29,616,837	-
Due from other governments	31,064,624	232,497
Prepaid items	3,235,028	56,149
Inventory	1,925,550	-
Other receivables	10,405,857	223,840
Capital assets		
Land	29,540,926	-
Capital assets, net of depreciation	208,432,431	1,088,375
TOTAL ASSETS	\$ 397,442,539	\$ 2,904,612

LIABILITIES AND NET ASSETS (DEFICIT)

LIABILITIES

Accounts payable	\$ 18,171,409	\$ 63,752
Retainage payable	657,837	-
Payroll withholdings	1,816,385	-
Salaries payable	8,814,167	181,640
Other payables	13,724,171	34,120
Accrued interest payable	5,341,764	-
Due to Fiduciary Funds	33,587,604	-
Due to other governments	2,769,172	-
Deferred revenues	284,798	-
Long-term liabilities		
Bonds, notes and capitalized leases due within one year	19,892,674	8,400
Bonds, notes and capitlized leases due in more than one year	269,808,122	7,985
Interest payable	22,183,400	-
Compensated absences due within one year	2,483,647	-
Compensated absences due in more than one year	9,237,964	-
Claims payable	52,607,766	-
TOTAL LIABILITIES	\$ 461,380,880	\$ 295,897

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2004

LIABILITIES AND NET ASSETS (DEFICIT)

NET ASSETS

	<u>Primary Government</u>	<u>Component Units</u>
Invested in capital assets, net of related debt	\$ (52,997,333)	\$ 930,498
Restricted for:		
School Food Service	568,088	-
Debt Service	29,197,067	-
Capital Projects	28,729,472	-
Unrestricted	<u>(69,435,635)</u>	<u>1,678,217</u>
 TOTAL NET ASSETS (DEFICIT)	 <u>\$ (63,938,341)</u>	 <u>\$ 2,608,715</u>
		(concluded)

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Primary</u>	<u>Component</u>
		<u>Services</u>	<u>and Contributions</u>	<u>Government</u>	<u>Units</u>
Primary Government:					
Instruction:					
Regular education programs	✓ \$ 186,935,553	\$ -	\$ 31,448,047	\$ (155,487,506)	\$ -
Special education programs	62,667,390	-	10,848,039	(51,819,351)	-
Other education programs	68,859,429	-	12,088,026	(56,771,403)	-
Support Services:					
Student services	33,015,546	-	5,544,701	(27,470,845)	-
Instructional staff support	17,740,494	-	3,106,712	(14,633,782)	-
General administration services	10,366,736	-	1,770,122	(8,596,614)	-
School administration services	24,388,025	-	4,063,935	(20,324,090)	-
Business services	13,809,390	-	2,409,433	(11,399,957)	-
Student transportation services	19,877,643	-	3,354,555	(16,523,088)	-
Central services	17,275,548	-	3,037,515	(14,238,033)	-
Plant services	48,864,437	-	8,591,707	(40,272,730)	-
Other	1,231,594	-	-	(1,231,594)	-
Food services	25,798,122	586,241	22,006,723	(3,205,158)	-
Interest on long-term debt	17,866,166	-	-	(17,866,166)	-
Total Primary Government	548,696,073	586,241	108,269,515	(439,840,317)	-
Component Units					
New Orleans Charter Middle School	2,000,528	-	21,902	-	(1,978,626)
James M. Singleton Charter Middle School	2,173,045	-	-	-	(2,173,045)
Total Component Units	4,173,573	-	21,902	-	(4,151,671)

(continued)

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
STATEMENT OF ACTIVITIES - continued
FOR THE YEAR ENDED JUNE 30, 2003

	Net (Expense) Revenue and Changes in Net Assets	
	Primary Government	Component Units
Net Expenses from previous page	\$ (439,840,317)	\$ (4,151,671)
General revenues		
Taxes:		
Ad valorem (property) taxes	102,893,795	-
Sales and use taxes	86,658,378	-
Vehicle tax	6,594,615	-
State revenue sharing	3,321,844	-
Grants and contributions not restricted to specific purposes:		
Minimum Foundation Program	216,754,244	-
Orleans Parish School Board	-	4,351,904
Interest and investment earnings	794,523	25,899
Miscellaneous	14,637,337	12,461
Total general revenues	431,654,736	4,390,264
Change in net assets	(8,185,581)	238,593
Net assets (deficit) - June 30, 2003, as previously reported	(59,494,439)	2,370,122
Prior period adjustments (note 3)	3,741,679	-
Net assets (deficit) - June 30, 2003, as restated	(55,752,760)	2,370,122
Net assets (deficit) - June 30, 2004	\$ (63,938,341)	\$ 2,608,715

(concluded)

Basic Financial Statements

■ Major Fund Description

■ Fund Financial Statements

■ Governmental Funds

(General, No Child Left Behind (NCLB)/
Improving America's Schools Act (IASA)-Title I,
Capital Projects #2 and Other Governmental Funds)

■ Proprietary Fund Types-Internal Service Funds

■ Fiduciary Funds

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ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

Major Fund Descriptions

■ General Fund

The General Fund is the primary operating fund of the School Board. The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. Reported in the General Fund are most of the revenues from local and state sources, including sales and ad valorem taxes, and Minimum Foundation Program funding.

General Fund expenditures represent the costs of general school system operations and include the functional categories of instructional and support services.

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ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

Major Fund Descriptions

■ NCLB / IASA Fund

(No Child Left Behind Act / Improving America's Schools Act)

The Improving America's Schools Act of 1994 (IASA) amended the Elementary and Secondary Education Act of 1965 (ESEA). The No Child Left Behind Act of 2001 (NCLB), signed on January 8, 2002, reauthorizes the ESEA and supercedes IASA. NCLB includes increased accountability for States, school districts, and schools; greater choice for parents and students, particularly those attending low-performing schools; more flexibility for States and local educational agencies in the use of Federal education dollars; and a stronger emphasis on reading, especially for our youngest children. NCLB reflects a consensus on how to improve the performance of America's elementary and secondary schools while at the same time ensuring that no child is trapped in a failing school.

NCLB combined the Eisenhower Professional Development and Class Size Reduction programs into a new Improving Teacher Quality State Grants program that focuses on using practices grounded in scientifically based research to prepare, train, and recruit high-quality teachers.

NCLB / IASA funds administered by the School Board include grants for the following programs:

- Title I Grants to Local Educational Agencies
- Title I Capital Expense
- Title I Accountability
- Education of Migratory Children
- Comprehensive School Reform
- Improving Teacher Quality State Grants (NCLB Title II)
- Eisenhower Professional Development (IASA Title II)
- Class Size Reduction (IASA Title VI)
- English Language Acquisition
- Safe and Drug-Free Schools and Communities
- Innovative Education Program Strategies
- Education of Homeless Children and Youth
- State and Local Technology
- Smaller Learning Communities
- Foreign Language Assistance

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ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana

Major Fund Descriptions

■ Capital Projects #2 Fund

Capital Fund #2 includes projects which are being funded from the \$175 million Bond Issue Referendum approved by the voters on July 15, 1995. These funds are being used to upgrade facilities to meet health and safety codes, to provide air conditioning to all schools, and to correct critical structural problems.

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ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

ORLEANS PARISH SCHOOL BOARD**New Orleans, Louisiana****GOVERNMENTAL FUNDS****BALANCE SHEET****June 30, 2004**

	General	IASA/NCLB	Capital Projects #2	Other Governmental	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 25,422,000	\$ -	\$ 89,365	\$ 1,307,618	\$ 26,818,983
Investments	-	-	15,193,036	10,242,445	25,435,481
Taxes Receivable:					
Sales tax	15,416,489	-	-	-	15,416,489
Motor vehicle	2,796,705	-	-	-	2,796,705
Ad valorem taxes	11,665,289	-	-	-	11,665,289
Due from other funds	238,652,699	79,864	7,593,846	66,460,814	312,787,223
Due from other governments	-	16,276,075	-	14,788,549	31,064,624
Prepaid items	1,218,867	-	-	-	1,218,867
Inventory	1,059,172	-	-	866,378	1,925,550
Other receivables	5,121,098	-	-	1,615,342	6,736,440
TOTAL ASSETS	<u>\$ 301,352,319</u>	<u>\$ 16,355,939</u>	<u>\$ 22,876,247</u>	<u>\$ 95,281,146</u>	<u>\$ 435,865,651</u>

LIABILITIES AND FUND BALANCES**Liabilities:**

Accounts payable	\$ 9,515,373	\$ 3,912,290	\$ 1,531,629	\$ 1,825,762	\$ 16,785,054
Retainage payable	-	-	431,112	226,725	657,837
Payroll withholdings	1,816,385	-	-	-	1,816,385
Salaries payable	5,934,713	726,621	-	2,123,921	8,785,255
Other payables	8,500,569	-	-	-	8,500,569
Due to other funds	274,148,494	11,714,326	-	30,875,648	316,738,468
Due to other governments	1,316,805	2,702	-	1,449,665	2,769,172
Deferred revenues	-	-	-	284,798	284,798
TOTAL LIABILITIES	<u>301,232,339</u>	<u>16,355,939</u>	<u>1,962,741</u>	<u>36,786,519</u>	<u>356,337,538</u>

(continued)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

GOVERNMENTAL FUNDS

BALANCE SHEET- continued

June 30, 2004

	General	IASA/NCLB	Capital Projects #2	Other Governmental	Total
Fund balances:					
Reserved for:					
Inventory	1,059,172	-	-	866,378	1,925,550
Encumbrances	1,588,583	-	2,157,372	4,569,239	8,315,194
Debt service	-	-	-	29,197,067	29,197,067
Prepaid items	1,218,867	-	-	-	1,218,867
Unreserved, reported in:					
General Fund - Undesignated	(3,746,642)	-	-	-	(3,746,642)
Special Revenue Fund	-	-	-	(575,718)	(575,718)
Capital Projects Fund	-	-	18,756,134	24,437,661	43,193,795
 TOTAL FUND BALANCES	 119,980	 -	 20,913,506	 58,494,627	 79,528,113
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 301,352,319	 \$ 16,355,939	 \$ 22,876,247	 \$ 95,281,146	 \$ 435,865,651

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total Fund Balances at June 30, 2004 - Governmental Funds		\$	79,528,113
Cost of capital assets at June 30, 2004	\$	579,396,970	
Less: Accumulated depreciation as of June 30, 2004:			
Buildings		(301,950,096)	
Movable property		<u>(39,473,517)</u>	237,973,357
Consolidation of Internal Service Funds			115,526
Long-term liabilities at June 30, 2004:			
Bonds payable		(270,118,731)	
Capital leases		(10,150,228)	
Notes payable		(9,431,837)	
Interest payable		(27,525,164)	
Claims payable		(52,607,766)	
Compensated absences payable		<u>(11,721,611)</u>	<u>(381,555,337)</u>
Total net assets (deficit) at June 30, 2004 - governmental activities		\$	<u><u>(63,938,341)</u></u>

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2004

	General	IASA/NCLB	Capital Projects #2	Other Governmental	Total
<u>REVENUES</u>					
Local sources:					
Ad valorem taxes	\$ 87,902,215	\$ -	\$ -	\$ 14,991,580	\$ 102,893,795
Sales and use tax	86,658,378	-	-	-	86,658,378
Vehicle sales tax	6,594,615	-	-	-	6,594,615
Earnings on investments	474,666	-	170,195	149,662	794,523
Food services	-	-	-	586,241	586,241
Other	12,945,415	-	916,386	775,536	14,637,337
State and federal sources:					
Minimum Foundation Program	215,873,444	-	-	880,800	216,754,244
Other	6,598,735	-	-	16,691,304	23,290,039
Federal sources	2,216,760	47,999,543	-	38,085,017	88,301,320
TOTAL REVENUES	419,264,228	47,999,543	1,086,581	72,160,140	540,510,492
<u>EXPENDITURES</u>					
Current:					
Instruction:					
Regular programs	164,822,376	2,293,715	-	8,617,960	175,734,051
Special programs	53,460,499	10,890	-	7,448,269	60,919,658
Other programs	5,085,898	45,920,956	-	16,541,941	67,548,795
Support:					
Student services	32,144,739	72,167	-	230,468	32,447,374
Instructional staff support	12,742,945	2,547,930	-	2,069,664	17,360,539
General administration	9,909,996	(29,391)	-	10,969	9,891,574
School administration	22,700,785	8,790	-	-	22,709,575
Business services	13,372,082	92,010	-	-	13,464,092
Student transportation services	17,927,731	430,304	-	387,473	18,745,508
Central services	16,778,330	-	-	195,531	16,973,861
Plant services	47,811,446	194,107	-	5,552	48,011,105
Food services	150,104	-	-	24,679,847	24,829,951
Capital outlay	515,854	-	8,309,629	5,333,862	14,159,345
Other	14,180	58,343	-	(8,594)	63,929

(continued)

ORLEANS PARISH SCHOOL BOARD**New Orleans, Louisiana****GOVERNMENTAL FUNDS****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - continued****FISCAL YEAR ENDED JUNE 30, 2004**

	General	IASA/NCLB	Capital Projects #2	Other Governmental	Total
<u>EXPENDITURES, continued</u>					
Debt Service:					
Principal retirement	\$ 716,876	\$ -	\$ -	\$ 17,949,324	\$ 18,666,200
Interest and bank charges	-	-	29,707	15,615,363	15,645,070
Payments to escrow agent	-	-	-	-	-
Bond issuance cost	-	-	-	148,474	148,474
TOTAL EXPENDITURES	398,153,841	51,599,821	8,339,336	99,226,103	557,319,101
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 21,110,387	 (3,600,278)	 (7,252,755)	 (27,065,963)	 (16,808,609)
 <u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	5,529,580	6,032,141	-	30,401,858	41,963,579
Transfers out	(39,949,582)	(2,431,863)	-	(725,649)	(43,107,094)
Proceeds from refunding bonds	-	-	-	-	-
Payments to refunding bond escrow	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(34,420,002)	3,600,278	-	29,676,209	(1,143,515)
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	 (13,309,615)	 -	 (7,252,755)	 2,610,246	 (17,952,124)
 PRIOR PERIOD ADJUSTMENT	 4,977,202	 -	 -	 -	 4,977,202
 FUND BALANCES, JUNE 30, 2003	 8,452,393	 -	 28,166,261	 55,884,381	 92,503,035
 FUND BALANCES, JUNE 30, 2004	 \$ 119,980	 \$ -	 \$ 20,913,506	 \$ 58,494,627	 \$ 79,528,113

(concluded)

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
RECONCILIATION OF THE GOVERNMENTAL FUNDS -
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2004

Excess of Revenues and Other Financing Sources		
over Expenditures and Other Uses - Total Governmental Funds	\$	(17,952,124)
Capital Assets:		
Capital outlay and other expenditures capitalized	\$	17,894,817
Depreciation expense for year ended June 30, 2004		(12,394,581)
Assets deleted in the year ended June 30, 2004		<u>(1,114,837)</u>
		4,385,399
Change in net assets of internal service funds		124,324
Long Term Debt:		
Principal portion of debt service payments		18,666,200
Excess of interest paid over interest accrued		404,825
Accretion of interest on compound interest refunding bond		(2,625,921)
Increase in estimate of long term claims payable		(10,517,779)
Excess of compensated absences earned over amounts used		<u>(670,505)</u>
		5,256,820
Change in Net Assets - Governmental Activities	\$	<u><u>(8,185,581)</u></u>

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
PROPRIETARY FUNDS - INTERNAL SERVICE
BALANCE SHEET
JUNE 30, 2004

ASSETS

Cash and cash equivalents	\$ 1,088,339
Other receivables	3,669,417
Due from other funds	62,534,204
Prepaid insurance	2,016,161
	<hr/>
TOTAL ASSETS	\$ 69,308,121
	<hr/>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 1,386,355
Wages payable	28,912
Due to other funds	62,553,726
Claims payable	5,223,602
	<hr/>

TOTAL LIABILITIES	69,192,595
	<hr/>

Net Assets (Deficit):

Unrestricted	115,526
	<hr/>

TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 69,308,121
	<hr/>

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
PROPRIETARY FUNDS - INTERNAL SERVICE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2004

OPERATING REVENUES

Employer contributions	\$ 38,735,853
Employee contributions	12,442,804
Other miscellaneous revenue	<u>449,246</u>

TOTAL OPERATING REVENUES	<u>51,627,903</u>
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OPERATING EXPENSES

Premium payments	42,408,260
Other expenses	<u>10,238,834</u>

TOTAL OPERATING EXPENSES	<u>52,647,094</u>
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NET OPERATING LOSS	(1,019,191)
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Transfers out	(1,880,652)
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Transfers in	<u>3,024,167</u>
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CHANGE IN NET ASSETS	124,324
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<u>NET ASSETS, AT JUNE 30, 2003</u>	<u>(8,798)</u>
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<u>NET ASSETS, AT JUNE 30, 2004</u>	<u><u>\$ 115,526</u></u>
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The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
PROPRIETARY FUNDS - INTERNAL SERVICE
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash premiums received	\$ 54,534,284
Cash paid in claims and benefits	(55,262,643)
NET CASH USED IN	
OPERATING ACTIVITIES	(728,359)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Advances from other funds	1,143,515
NET CASH PROVIDED BY	
NONCAPITAL FINANCING ACTIVITIES	1,143,515

NET INCREASE IN CASH 415,156

Cash at beginning of year 673,183

Cash at end of year \$ 1,088,339

Reconciliation of operating loss to net cash used in operating activities

Operating Loss	\$ (1,019,191)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in:	
Other receivables	(2,217,204)
Due from other funds	(333,487)
Prepaid insurance	629,682
Accounts payable	1,219,664
Wages payable	259
Due to other funds	3,851,395
Claims payable/self-insured losses payable	(2,859,477)
NET CASH USED IN	
OPERATING ACTIVITIES	\$ (728,359)

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004

	Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ 79,893	\$ 8,093,670
Investments	158,668	-
Other receivables	-	28,692
Due from other funds	28,280	33,624,224
	<hr/>	<hr/>
TOTAL ASSETS	266,841	\$ 41,746,586
	<hr/>	<hr/>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ 7,394,354
Due to other funds	1	29,617,836
Due to student groups	4,221	4,734,396
	<hr/>	<hr/>
TOTAL LIABILITIES	4,222	\$ 41,746,586
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Held in trust for various purposes	\$ 262,619	
	<hr/>	

The accompanying notes are an integral part of this statement.

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2004

	Trust Funds
<u>ADDITIONS</u>	
Investment earnings:	
Interest	<u>\$ 31,395</u>
<u>DEDUCTIONS</u>	
Administrative expenses	<u>5,200</u>
Changes in net assets	26,195
Net assets - beginning	<u>236,424</u>
Net assets - ending	<u><u>\$ 262,619</u></u>

The accompanying notes are an integral part of this statement.

Basic Financial Statements

■ Notes to the Basic Financial Statements

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ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

**ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

Fiscal Year Ended June 30, 2003

1. GENERAL INFORMATION

The Orleans Parish School Board (School Board) is a corporate body created under Louisiana Revised Statutes 17:51 and 17:121. A board consisting of seven members (the Board) elected from legally established districts is charged with the management and operation of the school system.

The school system is composed of a central office, 125 schools and support facilities. Student enrollment as of October 2003 was 65,589. The School Board employs approximately 9,100 persons, approximately 6,650 of whom are directly involved in the instructional process. The remainder provides ancillary support such as general administration, repair and maintenance, business and central services, bus transportation and food service. The regular school term begins in mid August and runs through early June.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School Board complies with generally accepted accounting principles (GAAP). The School Board's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The following is a summary of the School Board's significant accounting policies:

A. Financial Reporting Entity

GASB Statement No. 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the School Board is considered a *primary government*, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the School Board may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The School Board also has two *component units*, defined by GASB Statement No. 14 as other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board has a significant relationship. Certain units of local government over which the School Board exercises no authority, such as the City-Parish government and other independently elected officials, are excluded from the accompanying financial statements. These units of government are considered separate from those of the Parish School Board. The School Board is not a component unit of any other entity, but does have component units which require inclusion in the general purpose financial statements as follows:

Education Trust Fund District - Governed by the School Board, it has no assets; therefore, inclusion as a component unit is not considered necessary.

New Orleans Charter Middle School - This school was started in August 1998 using the facilities of the former James Lewis Extension School. Operating with approximately 360 students, this school is chartered through the School Board and is operated by a nonprofit entity, Middle School Advocates, Inc. For reporting purposes, as a nonmajor component unit it has been aggregated with other nonmajor component units. New Orleans Charter Middle School is included in the reporting entity because it is fiscally dependent on the School Board. The component unit also has a June 30 year-end.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

A. Financial Reporting Entity (continued)

Complete financial statements for the New Orleans Charter Middle School can be obtained by writing the Middle School Advocates, Inc., 3801 Monroe Street, New Orleans, LA 70118 or by telephoning (504) 486-0804.

James M. Singleton Charter Middle School (JMSCMS) - This school was started in April 1999 as an independent public school funded by the State of Louisiana Board of Elementary and Secondary Education and the Orleans Parish School Board. Operating with approximately 350 students, the JMSCMS is sponsored by the Dryades Young Men's Christian Association. The JMSCMS is included in the reporting entity because it is fiscally dependent on the School Board. The component unit also has a June 30 year-end. For reporting purposes, as a nonmajor component unit, it has been aggregated with other nonmajor component units. Complete financial statements for the JMSCMS can be obtained by writing the James M. Singleton Charter Middle School, 2220 Oretha Castle Haley Blvd., New Orleans, LA 70113 or by telephoning (504) 522-8811.

B. Basis of Presentation

The School Board's *Basic Financial Statements* consist of the government-wide statements on all of the non-fiduciary activities and the fund financial statements (individual major fund and combined nonmajor fund). The statements are prepared in accordance with accounting principles generally accepted in the United States of America, as applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their proprietary funds, subject to the same limitation. The School Board has elected not to follow subsequent private-sector guidance.

Government-Wide Financial Statements (GWFS)

The government-wide financial statements include the statement of net assets and the statement of activities for all non-fiduciary activities. As a general rule, the effect of interfund activity has been removed from these statements. Exceptions to the general rule are advances between fiduciary funds and the various functions of the School Board. The government-wide presentation focuses primarily on the sustainability of the School Board as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

All programs of the School Board are considered *Governmental Activities* which normally are supported by taxes and intergovernmental revenues.

The internal service funds provide services to the governmental funds. Accordingly, the internal service funds activities were rolled up into the governmental activities in the GWFS. Pursuant to GASB Statement No. 34, the internal activities have been eliminated in order to avoid the "grossing-up" effect of a straight inclusion.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues included in the Statement of Activities are derived from parties outside the School Board's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the School Board's general revenues.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Basis of Presentation (continued)

The School Board reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of GASB Statement No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Nonmajor funds (by category) or fund type are summarized into a single column.

The daily accounts and operations of the School Board continue to be organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The funds of the School Board are classified into three broad categories: Governmental, Proprietary and Fiduciary.

Governmental Fund Types:

General Fund - The General Fund is the primary operating fund of the School Board. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is reported as a major fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. These funds account for the revenues and expenditures related to Federal, state and local grant and entitlement programs for various educational objectives and child nutrition services.

The *Improving America's Schools Act/No Child Left Behind Act* (IASA/NCLB) Fund is considered a major fund. The Improving America's Schools Act of 1994 (IASA) amended the Elementary and Secondary Education Act of 1965 (ESEA). The No Child Left Behind Act of 2001 (NCLB), signed on January 8, 2002, reauthorizes the ESEA and supercedes IASA. NCLB includes increased accountability for States, school districts, and schools; greater choice for parents and students, particularly those attending low-performing schools; more flexibility for States and local educational agencies in the use of Federal education dollars; and a stronger emphasis on reading, especially for our youngest children. NCLB reflects a consensus on how to improve the performance of America's elementary and secondary schools while at the same time ensuring that no child is trapped in a failing school.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

B. **Basis of Presentation** (continued)

NCLB combined the Eisenhower Professional Development and Class Size Reduction programs into a new Improving Teacher Quality State Grants program that focuses on using practices grounded in scientifically based research to prepare, train, and recruit high-quality teachers.

IASA/NCLB funds administered by the School Board include grants for the following programs:

Title I Grants to Local Educational Agencies
Migrant Education – Basic State Grant Program
Comprehensive School Reform
Improving Teacher Quality State Grants (NCLB Title II)
English Language Acquisition
Safe and Drug-Free Schools and Communities
Innovative Education Programs Strategies
Education of Homeless Children and Youth
Smaller Learning Communities
Foreign Language Assistance
Advanced Placement Fee Payment Program
Reading First State Grants
Educational Technology State Grants
Title IV, Part B After School Learning Centers

Debt Service Funds - Debt Service Funds, established to meet requirements of bond ordinances and other long-term borrowing are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs and some capitalized leases. A separate Debt Service Fund is maintained for each similar bond issue type (e. g., General Obligation Bonds, EPA Loans) or each refunding, unique issue, or long-term loan currently outstanding. No debt service funds are considered major funds.

Capital Projects Funds - Capital Projects Funds are used to account for the receipt and disbursement of the proceeds of general bond issues and other special or designated revenues used for the acquisition or construction of major capital facilities, renovations and major repairs (other than General Fund capital outlays, and Special Revenue Fund capital outlays).

The Capital Projects #2 Fund is considered a major fund. Capital Projects Fund #2 includes projects funded from the \$175 million Bond Issue Referendum, approved by voters on July 15, 1995. These funds are used to upgrade facilities to meet health and safety codes and to correct critical structural problems.

Proprietary Fund Type:

Internal Service Funds - Internal Service Funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The Health Insurance Fund, Life, Dental and Optical Insurance Funds, Workers' Compensation Insurance Fund, Other Insurance Fund and Print Shop Fund are reported as Internal Service Funds.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

B. **Basis of Presentation** (continued)

Fiduciary Fund Types:

Agency Funds - Agency Funds are used to account for assets held by the School Board as an agent for individuals, private organizations or other governmental units and/or other funds. The School Board has several Agency Funds. One agency fund is used to account for those monies collected by pupils and school personnel for school and school-related purposes and for instructional program funding disbursed to schools electing to participate in the site-based purchasing program. Another agency fund is maintained to deposit monies withheld from the payroll of nine-month employees who have elected to be paid on a twelve-month basis. Smaller agency funds are grouped together.

Trust Funds - Trust Funds are created to account for cash, investments and other resources contributed by various individuals to the School Board to be expended for purposes for which the trusts were established.

C. **Basis of Accounting/Measurement Focus**

Government-Wide Financial Statements (GWFS)

The GWFS are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Proprietary Fund and Fiduciary Fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Proprietary Fund type's operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Governmental Fund type is accounted for on the modified accrual basis of accounting. The following paragraphs describe the revenue recognition practices under that basis.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

C. **Basis of Accounting/Measurement Focus (continued)**

Revenues

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Charges for services, fines and forfeits, and most governmental miscellaneous revenues, including investment earnings are recorded as earned since they are measurable and available. The School Board's definition of available means expected to be received within sixty days of the end of the fiscal year for property taxes and generally the next twelve months for other revenues. Revenues not considered available are recorded as deferred revenues.

Non-exchange transactions, in which the School Board receives value without directly giving value in return, include sales tax, property tax, special assessments, grants, entitlements, and donations. Property taxes are considered measurable in the calendar year of the tax levy if collected soon enough to meet the availability criteria. Sales taxes are considered "measurable" when the underlying transaction occurs and meets the availability criteria. Anticipated refunds of such taxes are recorded as fund liabilities and reductions of revenue when they are measurable and valid. Special Assessments are recognized as revenues only to the extent that individual installments are considered current assets in the governmental fund types. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources can be used.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Costs of accumulated unpaid vacation, sick leave and other employee benefit amounts are reported in the period due and payable rather than the period earned by employees, and general long-term obligations principal and interest payments are recognized only when due.

The Proprietary Fund type and Trust Funds are accounted for using the accrual basis of accounting; revenues are recognized when earned and expenses are recognized when incurred.

D. **Budget and Budgetary Accounting**

The School Board follows these procedures in establishing the budgetary data reflected in the financial statements:

The General Fund and the Special Revenue Funds are the only funds with legally required budgets. The General Fund budget and the Special Revenue Funds' budgets are adopted on an annual basis. These budgets include proposed expenditures and the means of financing them.

Annually, the Superintendent submits to the School Board a proposed annual appropriated budget for the General Fund and Special Revenues Funds. Public hearings are advertised and conducted to obtain taxpayer comments and the proposed budgets are published. The budget is adopted by the School Board and, as required, is submitted no later than September 30 to the State Department of Education for approval. The Superintendent is authorized to move budgeted items within the functional categories, the legal level of control, but may not increase the total amount authorized.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. Budget and Budgetary Accounting, (continued)

Expenditures for Special Revenue Fund Budgets, except for the Child Nutrition Program, may not exceed budgeted amounts by more than 5% unless a budget revision is approved by the State Department of Education. For the Child Nutrition Program, budget amendments follow the same requirements as the General Fund.

The Capital Projects Funds' budgets are adopted on a project basis, since such projects may be started and completed at any time during the year or may extend beyond one fiscal year. Capital Projects Funds are allocated by project using architectural and engineering estimates. All projects remain programmed and funded until completed or until the School Board decides to eliminate the project. Accordingly, budget and actual comparisons are not reported in the basic financial statements for those funds.

Budgets are prepared on the modified accrual basis of accounting. Unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations at year end that have been approved by the Board are generally expended during the next fiscal year's operations, assuming that the underlying liability is ultimately incurred. Budgeted amounts are as originally adopted or as amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the School Board to amend its budgets when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures within a fund are expected to exceed budgeted expenditures by five percent or more.

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end in the Governmental Funds Balance Sheet are reported as reservations of fund balance. These outstanding encumbrances are added to the budget in the subsequent year and are reported as expenditures when incurred.

F. Cash, Cash Equivalents and Investments

Cash and cash equivalents include interest-bearing demand deposits and short-term investments as described below, with a maturity date within three (3) months of the date of acquisition.

State statutes authorize the School Board to invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. The School Board's Cash Management and Investment Policy requires that cash balances of all funds are combined and invested to the extent possible in direct obligations of the U.S. Government or its agencies, certificates of deposit and other short-term obligations. Interest earned on these investments is distributed to the individual funds on the basis of invested balances of the participating funds during the year.

Investments for the School Board, as well as its component units, are reported at fair value.

G. Inventory

Government-Wide Level

Inventory is stated at first-in, first-out (FIFO) cost and consists of expendable supplies held for consumption. The costs of inventory items are recognized as expenses when used.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

G. Inventory, (continued)

Fund Level

Inventory of the General Fund is stated at FIFO cost and consists of expendable supplies held for consumption. The costs of inventory items are recognized as expenditures when used. The reportable inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of total assets.

Inventory of the Child Nutrition Special Revenue Fund consists of food, lunchroom materials, and supplies purchased by the School Board and commodities granted by the United States Department of Agriculture (USDA) through the Louisiana Department of Agriculture and Forestry. Inventory items purchased are valued at FIFO cost. Costs are recorded as expenditures at the time individual items are consumed (consumption method). Commodities are valued at the market value at the date of donation based on market values provided by the USDA. The amount of commodity inventory is included in deferred revenue until consumed.

H. Capital Assets

All capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The School Board maintains threshold levels for capitalizing capital assets as follows: movable capital assets with a cost of \$1,000 or more per unit for financial statement reporting (\$300 or more per unit for internal reporting purposes); all land and land improvements with a cost of \$50,000 or more; buildings and building improvements that extend the useful life of a building with a cost of \$50,000 or more.

Capital assets are recorded in the GWFS, but are not reported in the FFS. All capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the School Board, no salvage value is taken into consideration for depreciation purposes. Useful lives are as follows: from 3 to 10 years for furniture and equipment, 5 to 8 years for transportation equipment, 5 to 20 years for equipment, 25 years for building improvements, 10 to 20 years for improvements other than building, and 20 to 40 years for buildings.

I. Reserves and Designations

Portions of fund balances are reserved for future use and, therefore, are not available for appropriation or expenditure. Designations of unreserved fund balances in Governmental Fund types indicate the School Board's plans for the use of financial resources in a future period.

J. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (continued)

K. Compensated Absences

Under terms of union contracts and School Board policy, each employee is entitled to ten days of sick leave per year. Sick leave may be accumulated without limit; however, employees or their heirs are only reimbursed for accumulated sick leave up to twenty-five days upon death or retirement at the employees' current rate of pay. The accrual computation for earned sick leave is calculated on a 25-day maximum per employee. Sick leave is not payable upon discharge or termination (non-retirement). Upon retirement, accumulated sick leave in excess of reimbursement may be used in the retirement benefit computation as earned service.

Full-time employees who work year-round are granted vacation in varying amounts (maximum of 22 days per year) as established by School Board policy. Unused vacation days earned prior to July 1, 1987, may be carried forward indefinitely. Vacation earned during each fiscal year (after July 1, 1987), must be taken on or before December 31st of the following fiscal year; in the event of termination, an employee is reimbursed for accumulated vacation days up to thirty days. Associated fringe benefits have been estimated based on historical experience.

Sabbatical leave may be granted for medical/professional purposes. Any employee with a teaching certificate is entitled, subject to approval by the school board, to one (1) semester of sabbatical leave after three (3) years of continuous services, or two (2) semesters of sabbatical leave after six (6) or more years of continuous service. Sabbatical leave is paid at 65% of salary. Sabbatical leave, which involves professional and cultural improvement, provides a continuing benefit to the employer and should not be accrued. Since sabbatical leave for medical purposes requires a doctor's certificate prior to being granted, it is similar to an extended sick leave benefit and should not be accrued as sabbatical leave benefits. Consequently, sabbatical leave benefits are not accrued, but are recorded as current expenditures (in the FFS) in the period paid.

L. Deferred Revenues

The School Board reports deferred revenues when resources are received by the School Board before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the School Board has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

M. Long-term Obligations

For government-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34, the amortization of the costs of bonds is amortized prospectively from the date of adoption of GASB Statement No. 34.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source, net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

N. Restricted Net Assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

O. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. PRIOR PERIOD ADJUSTMENTS

The June 30, 2003 financial statements have been restated for the following:

Deferred revenue and due to other governments were overstated by	\$ 3,143,585
Revenue was understated by	3,050,416
Accounts payable and accrued liabilities were understated by	(1,216,799)
Accumulated depreciation was understated by	<u>(1,235,523)</u>
	<u>\$ 3,741,679</u>

Deferred revenue and due to other governments was overstated during the fiscal year due to incorrect claim submissions to state and federal agencies. The error was discovered during the reconciliations of deferred revenue and the balance due to other governments.

Revenue was understated in the prior year due to the incorrect recording of Title I revenue. The error was discovered during the reconciliation of revenue.

Accounts payable and accrued liabilities were understated due to the incorrect recording of payables in prior years. The error was discovered during the reconciliations of accounts payable and accrued liabilities.

Accumulated depreciation was understated due to the incorrect calculation of depreciation in prior years. The error was discovered during the reconciliation of accumulated depreciation.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

3. PRIOR PERIOD ADJUSTMENTS (continued)

Due to the different measurement focuses of the GWFS (economic resources focus/accrual basis) and the FFS (current financial resources measurement focus), the adjustments impact the financial statements as follows:

Government – wide net assets (deficit) at June 30, 2003, as previously reported	\$ (59,494,439)
Decrease in deferred revenues and due to other governments	3,143,585
Decrease in due to other governments	3,050,416
Increase in accounts payable and accrued liabilities	(1,216,799)
Increase in accumulated depreciation	(1,235,523)
	<hr/>
	\$ (55,752,760)

The General Fund's financial statements were impacted as follows:

Fund balance at June 30, 2003, as previously reported	\$ 8,452,393
Decrease in deferred revenues and due to other governments	3,143,585
Decrease in due to other governments	3,050,416
Increase in accounts payable and accrued liabilities	(1,216,799)
	<hr/>
	\$ 13,429,595

4. DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2004, the carrying amount of the School Board's deposits was \$36,080,885 and the bank balance was \$51,413,750. Of the bank balance, \$613,182 was insured by Federal depository insurance or by collateral held by the School Board (GASB Category 1). Of the remaining balance, \$50,375,789 was collateralized with securities held by the pledging financial institution's trust department or agent in the School Board's name (GASB Category 2) and \$424,779 was uncollateralized (GASB Category 3). Securities that may be pledged as collateral consist of obligations of the U.S. Government and its agencies; obligations of the State of Louisiana and its municipalities and school districts.

Even though the pledged securities are considered uncollateralized (GASB Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the School Board that the fiscal agent has failed to pay deposited funds upon demand.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

4. DEPOSITS AND INVESTMENTS (continued)

Investments

The School Board's investments are categorized as described below to give an indication of the level of risk assumed by the School Board at year-end.

Category 1 includes investments that are insured or registered or for which the securities are held by the School Board or its agent in the School Board's name and deposits with maturities greater than three months that are insured or collateralized, in the School Board's name, at a Federal Reserve Bank, or at a correspondent financial institution.

Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent in the School Board's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the School Board's name.

A breakdown of investments as of June 30, 2004, is as follows:

	<u>Category</u>			<u>Market Value</u>	<u>Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Government Securities	\$ 24,851,680	\$ -	\$ -	\$ 24,851,680	\$ 24,851,680
Marketable Securities	-	-	582,230	582,230	583,801
Total Investments	<u>\$ 24,851,680</u>	<u>\$ -</u>	<u>\$ 582,230</u>	<u>\$ 25,433,910</u>	<u>\$ 25,435,481</u>

5. AD VALOREM TAXES AND SALES TAX

Ad valorem taxes were levied by the School Board on February 5, 2004 for the calendar year 2004, based on the assessed valuation of property as of August 15, 2003. Values are established by the Orleans Parish Assessors' Offices each year based on 10% of the assessed market value of residential property and commercial land and on 15% of the assessed market value of commercial buildings, public utilities and personal property. The taxes become due on January 1 of each year, and become delinquent on February 1. However, before the taxes can be collected, the assessment list (tax roll) must be submitted to the Louisiana Tax Commission for approval. From the day the tax roll is filed in the Board of Tax Commission, it shall act as a lien on each specific piece of real estate thereon assessed, which shall be subject to a legal mortgage after the year for the payment of the tax due on it. Ad valorem taxes are collected by the City of New Orleans and remitted to the School Board on a periodic basis. The taxes are generally collected in December, January, and February of the fiscal year. A list of property on which taxes have not been paid is published in the official journal by the City of New Orleans. If taxes are not paid within the period stipulated in the public notice, the property is sold for taxes due at a tax sale held by the City of New Orleans. The tax sale is usually held prior to the end of the School Board's fiscal year.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

5. AD VALOREM TAXES AND SALE TAX, (continued)

The following is a summary of authorized and levied ad valorem taxes:

		<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expires</u>
Constitutional Millage		27.65	27.65	Not applicable
Dedicated Millage				
Purpose A	School Books, Materials, and Supplies	2.13	2.13	2008
Purpose B	Early Childhood, Discipline and Dropout Programs	2.13	2.13	2008
Purpose C	Employee Salary, Benefits and Incentives	10.00	10.00	2008
Purpose D	Air Conditioning, Asbestos Removal and Facilities	3.19	3.19	2008
District General Obligation Bond Taxes		Unlimited (committed not to exceed 8.4)	<u>7.70</u>	2023
Total Millage			<u>52.80</u>	

Under the Louisiana Constitution, ad valorem taxes other than Constitutional and Bond taxes must be renewed by popular vote every ten (10) years.

All ad valorem taxes are recorded on the basis explained in Note 2C. For governmental funds, revenues are recognized in the accounting period in which they become measurable and available. Property taxes are considered measurable in the calendar year of the tax levy. Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. Available means due, or past due, and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The remaining property taxes receivable are considered available because they are substantially collected within 60 days subsequent to year end.

Since ad valorem taxes receivable are secured by property, there is no allowance for uncollectible taxes.

Sales taxes are assessed and due on the first day of the month subsequent to the month of sale of any retail sales of goods used or consumed within Orleans Parish, including leases and rentals of movable tangible property. The rate of sales tax dedicated to the School Board is one and one-half percent. Revenues arising from the one percent sales tax authorized by the voters of Orleans Parish in 1966 are used exclusively for the payment of salaries of teachers and/or for the general operations of the school district. The proceeds of the one-half percent sales tax, which was authorized in 1980, are used for the payment of salaries of teachers and other educational employees of the School Board, for the expenses of maintaining and operating schools and for providing funds to pay for capital improvements.

Sales taxes which remain uncollected on the twenty-first day of the month due are classified as delinquent. Sales tax payments are collected by the City of New Orleans and the State of Louisiana and are remitted semi-monthly to the School Board.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2004 are as follows:

	<u>Land</u>	<u>Buildings And Improvements</u>	<u>Furniture and Equipment</u>	<u>Construction in Process</u>	<u>Total</u>
<u>Assets at Cost</u>					
As previously reported at June 30, 2003	\$ 29,540,926	\$ 438,588,713	\$ 49,401,946	\$ 45,085,405	\$ 562,616,990
Additions	-	35,659,136	8,234,882	9,659,935	53,553,953
Deletions	-	-	(1,114,837)	(35,659,136)	(36,773,973)
Balance at June 30, 2004	<u>29,540,926</u>	<u>474,247,849</u>	<u>56,521,991</u>	<u>19,086,204</u>	<u>579,396,970</u>
<u>Accumulated Depreciation</u>					
As previously reported at June 30, 2003	-	292,425,363	35,368,406	-	327,793,769
Adjustments	-	898,183	337,080	-	1,235,263
Corrected Balance at June 30, 2003	-	293,323,546	35,705,486	-	329,029,032
Additions	-	8,626,550	3,768,031	-	12,394,581
Deletions	-	-	-	-	-
Balance at June 30, 2004	<u>-</u>	<u>301,950,096</u>	<u>39,473,517</u>	<u>-</u>	<u>341,423,613</u>
Capital Assets, Net of Accumulated Depreciation at June 30, 2004	<u>\$ 29,540,926</u>	<u>\$ 172,297,753</u>	<u>\$ 17,048,474</u>	<u>\$19,086,204</u>	<u>\$ 237,973,357</u>

Depreciation expense for the year ended June 30, 2004 was charged to the following governmental functions:

Instruction:

Regular education programs	\$ 8,078,071
Special education programs	670,301
Other education programs	110,047

Support:

Student Services	17,471
Instructional Staff Services	71,395
General Administration	299,353
School Administration	1,274,819
Business and Central Services	105,993
Transportation	798,960
Food Services	968,171
	<u>\$ 12,394,581</u>

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

7. DEFINED BENEFIT PENSION PLANS

Plan Description - Substantially all School Board employees participate in either the Teachers' Retirement System of Louisiana or the Louisiana School Employees' Retirement System (the Systems), which are cost-sharing, multiple-employer public employee retirement systems. Each system is administered and controlled at the State level by a separate board of trustees with contribution rates and benefit provisions approved by the Louisiana Legislature. Participation in the Teachers' Retirement System is primarily divided into two plans - the Teachers' Regular Plan and the Teachers' Plan A. Five years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits under each plan.

Each of the Systems issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing or calling:

Teachers' Retirement System of Louisiana

8401 United Plaza Blvd.
P.O. Box 94123
Baton Rouge, Louisiana 70804-9123
(225) 925-6446

Louisiana School Employees' Retirement System

8660 United Plaza Blvd.
Baton Rouge, LA 70809
(225) 925-6484

Funding Policy - Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended June 30, 2004 for the School Board and covered employees were as follows:

	<u>School Board</u>	<u>Employees</u>
Teachers' Retirement System of Louisiana		
Regular Plan	13.8%	8.0%
Plan A	13.8%	9.1%
Louisiana School Employees' Retirement System	11.2%	7.5%

As provided by Louisiana Revised Statute 11:103, the School Board's contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The contributions made to the systems for the past three fiscal years, which substantially equaled the required contributions for each of these years, were as follows:

	2004	2003	2002
Teachers' Retirement System of Louisiana	\$ 33,563,112	\$ 31,629,799	\$ 32,697,485
Louisiana School Employees' Retirement System	\$ 2,004,905	\$ 101,001	\$ 1,665,405

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

8. POST EMPLOYMENT BENEFITS

In accordance with state statutes, the School Board provides certain post employment health care and life insurance benefits to its retired employees. Substantially all of the School Board's employees may become eligible for such benefits upon reaching retirement age. For the year ended June 30, 2004, the School Board paid approximately 90% of the health insurance premiums for retired employees. Retirees contribute 10% of the retiree only coverage and one-half of the cost of dependent coverage. Retirees who are eligible for Parts A and B of Medicare are exempt from the 10% contribution. The cost of retirement health care is recognized as an expenditure as premiums are paid. For fiscal year 2004, the School Board's cost for providing all health care and life insurance benefits to the 1,637 retired employees and their dependents amounted to \$2,411,655.

The School Board has a continuing future obligation for life insurance and health care benefits for retired teachers and non-instructional employees and their dependents. This future liability is not funded but will be payable by the General Fund out of future years' operations. This future liability could be significant. Current generally accepted accounting principles, as set forth by the Governmental Accounting Standards Board, do not require the recording of this liability in the basic financial statements.

9. LONG-TERM OBLIGATIONS

Bonds and Notes Payable

A summary of the fiscal 2004 bonds payable including interest rates, maturity, and June 30, 2004, balance is as follows:

Bonds Payable	Range of Interest in Remaining Years	Final Maturity	Balance as of June 30, 2004
General Obligation Bonds:			
Series 1995 - Issued 10/01/95	5.0 - 5.375%	09/01/18	\$ 27,830,000
Series 1996 - Issued 03/01/96	4.5 - 7.5%	09/01/20	29,535,000
Series 1997 - Issued 03/01/97	4.9 - 7.0%	09/01/21	30,570,000
Series 1997A - Issued 12/01/97	5.0 - 7.0%	09/01/21	30,570,000
Series 1998A - Issued 03/01/98	4.65 - 7.375%	09/01/22	31,615,000
Series 1998B - Issued 03/01/98	4.20 - 5.50%	09/01/20	8,000,000
Refunding Bonds:			
Series 1991 - Issued 12/01/91	7.15%	02/01/15	16,523,731
Series 1995 - Issued 10/01/95	4.75 - 6.0%	06/01/09	14,750,000
Series 1995 A&B - Issued 12/01/95	5.2 - 6.65%	02/01/14	80,725,000
EPA Loans	12.14 - 12.77%	05/31/13	1,266,837
Certificates of Indebtedness:			
Series 1996	6.24%	03/01/06	165,000
Series 1999	4.0 - 6.5%	03/01/09	8,000,000
TOTAL			<u>\$ 279,550,568</u>

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

9. LONG-TERM OBLIGATIONS, (continued)

All of the bonds and notes payable of the School Board are reported in the government-wide financial statements and are serviced by the debt service funds with revenues as described below.

General Obligation Bonds

General Obligation Bonds are backed by the full faith, credit and taxing power of the School Board. Five (5) series of General Obligation Bonds for \$35 million each have been issued: Series 1995, dated October 1, 1995, Series 1996, dated March 1, 1996, Series 1997, dated March 1, 1997, Series 1997A dated December 1, 1997, and Series 1998A dated March 1, 1998. In 1988 \$8,155,000 of General Obligation School Refunding Bonds, Series 1998B, dated March 9, 1998 were issued and used to advance refund \$7,140,000 of General Obligation Series 1995 bonds dated October 1, 1995 maturing in September 2020. These general obligation bonds are insured and are payable from: (1) the annual levy and collection of an unlimited ad valorem tax on all taxable properties; (2) interest earned on net bond proceeds and debt service assets; and (3) revenues collected by the Educational Trust Fund District, as described below.

The purpose of the General Obligation Bonds is to provide monies: to improve land for building sites and playgrounds, including construction of necessary sidewalks and streets; to improve school buildings and other related facilities by acquiring necessary equipment and furnishings therefore; and to complete those projects set forth in Capital Improvements Program III.

The Educational Trust Fund District (Trust Fund) is governed by the Board members of the School Board and serves as a conduit for the collection of specific revenues supporting the debt service requirements of the General Obligation Bonds. The Trust Fund is to collect any and all ad valorem property taxes levied and collected on property used for any permanent or temporary land-based casino gaming establishment or on any riverboat and its licensed berth (except for specific taxes levied by the city or downtown development district) for the purpose of repairing, upgrading, improving and acquiring property and the construction of school buildings and related structures, improvements, and constructions owned and operated by the School Board.

On February 17, 1996, the School Board entered into a Cooperative Endeavor Agreement with the Educational Facilities Trust Fund District making available revenues generated from 1.56 mills, representing the 1995 roll forward of the School Board's Constitutional Millage and Proposition Millage, to be pledged and dedicated to the \$175,000,000 General Obligation Bonds (herein referred to as "Roll Forward"). Because the Trust Fund (1) has no assets, (2) is governed by the Board of the School Board, and (3) all its activities are included in the financial statements of the School Board, the separate presentation of the Trust Fund as a component unit or separate entity is not considered necessary.

Advanced Funding Notes

Two (2) series of Revenue Anticipation Bonds were issued and paid during the year: Series 2003G, dated October 9, 2003, for \$14,900,000 and Series 2004, dated February 26, 2004, for \$50,000,000. The Series 2003G note was issued for the purpose of paying expenses of the General Fund for the year ending June 30, 2004 and were paid from General Fund revenues collected for the year ending June 30, 2004. The Series 2004 note was issued as a result of cash flow problems related to the delayed collection of property taxes. Bills for property taxes issued by the City of New Orleans to taxpayers in December 2003 did not include amounts due for 2004 because the Board had not completed all necessary procedures to levy property taxes at the maximum available rate. The notes were paid with 2004 property taxes collected by the City of New Orleans on behalf of the School Board.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

9. LONG-TERM OBLIGATIONS, (continued)

Refunding Bonds

The refunding bonds are special limited School Board obligations payable from and secured by pledge of and lien on ad valorem taxes, sales taxes and revenue sharing. The bonds do not constitute general indebtedness or pledge of the general credit of the School Board.

\$121,698,366 Public School Refunding Bonds, Series 1991, dated December 1, 1991, partially refunded by the Series 1995 A and B Bonds described below - The purpose of these bonds was to refund the Public School Refunding Bonds, Series 1990. The bonds are insured and are payable from the ½% Dedicated Sales Tax and the Constitutional Millage.

\$27,920,006 Public School Capital Refunding Bonds, Series 1995, dated October 1, 1995 - The purpose of these bonds was to advance refund \$27,150,000 of Public School Capital Funding Bonds, Series 1989A, dated June 1, 1989, which were subsequently called and are no longer outstanding. The bonds are insured and are payable from the Purpose D Millage tax approved in 1980.

\$98,970,000 (1995A- Taxable) and \$22,815,000 (1995B- Tax Exempt) Public School Refunding Bonds, dated December 1, 1995 - The purpose of these bonds was to redeem \$105,038,118 principal plus interest of \$8,866,381 on the Capital Appreciation Bonds of the Public School Refunding Bonds, Series 1991, which were subsequently called and are no longer outstanding. The bonds are insured and are payable from: (1) 1½% Dedicated Sales Tax and (2) Constitutional Millage, subject to a prior and superior pledge of the tax in favor of the owners of the School Board's outstanding Refunding bonds, Series 1995. These bonds partially refunded the Capital Appreciation Bonds.

Defeased Bonds

In August 1985, the School Board entered into an advance refunding transaction to effect retirement of the School Board's obligations with respect to the 1952 through 1968 bonds outstanding, at June 30, 1985. At June 30, 2004, the remaining bonds outstanding consisted of the 1961 through 1968 bond issues, which are not included in the School Board's statement of net assets, as they are considered defeased through the establishment of a fully funded escrow to pay debt service on such bonds until maturity. At June 30, 2004, the outstanding principal balance of these 1961 through 1968 bonds totaled \$6,145,000. The 1985 bonds were subsequently refunded and called with the proceeds of the Series 1987 bonds.

In December 1987, the School Board entered into a \$127,695,000 (par) advance refunding transaction (Series 1987) for all of its outstanding bonds which consisted of \$40,021,335 Public School Refunding Bonds, Series 1985, and \$75,000,000 Public School Sales and Use Tax Bonds, Series 1985, for a total of \$115,021,335. At June 30, 2004, the outstanding principal balance of these 1985 Bonds, which are not included in the School Board's statement of net assets as they are considered defeased, totaled \$7,445,992.

In October 1990, the School Board entered into a \$104,510,380 advance refunding transaction (Series 1990) for a portion of the School Board's Series 1987 Bonds. These securities were deposited in a trust with an escrow agent to provide for all the future debt services payments. Accordingly, the escrow account and the liability for the bonds are not included in the School Board's statement of net assets. As of June 30, 2004, the outstanding principal balance of the Series 1987 Bonds totaled \$75,895,000.

ORLEANS PARISH SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS

June 30, 2004

In March 1998, the School Board entered into a \$8,155,000 refunding transaction (Series 1998B) for a portion of the School Board's Series 1995 General Obligations maturing September 2020. At June 30, 2004, the outstanding principal balance of the 1995 bonds, which are not included in the School Board's balance sheet, as they are considered defeased, totaled \$7,140,000.

9. LONG-TERM OBLIGATIONS, (continued)

EPA Loans

Approval was obtained from the State Bond Commission to issue promissory notes on an interest-free basis, repayable over a twenty-year period. Proceeds from the notes finance the removal of asbestos from certain school buildings. The notes, issued to the U. S. Environmental Protection Agency (EPA), have no stated interest rate. Generally accepted accounting principles require that interest be imputed on loans with no stated rate. There are five EPA loans. The two notes from 1985 – 1987 have interest imputed at the rate of 8.681%. The three notes from 1990 – 1992 have interest imputed at the rate of 7.641%. Of the \$5,555,600 of authorized notes that were advanced to the School Board, a remaining balance of \$1,266,837 is still outstanding and owed at year-end. Semi-annual principal payments are made on the loans which have terms expiring in 2010, 2011 and 2013.

Certificates of Indebtedness

On April 22, 1996, the School Board issued a \$675,000 Certificate of Indebtedness, Series 1996 to finance improvements and an addition to Jean Gordon Elementary School. The School Board dedicated the excess of annual revenues of subsequent years to pay for the cost of the public improvements. The loan is for a period of ten (10) years at a fixed interest rate of 6.24%.

In March 1999, the School Board issued a \$14,000,000 Certificate of Indebtedness, Series 1999. These funds are used to purchase computer hardware and software. These Certificates are secured by and payable from excess of annual revenues of the School Board. The Certificate of Indebtedness Series 1996 is subordinated to the lien of the Certificate of Indebtedness Series 1999. The loan is for a period of ten (10) years with interest rates ranging from 4.0 to 6.625%.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Debt Service Requirements

The annual requirements to amortize all long-term debt outstanding at June 30, 2004, excluding capital leases, accrued compensated absences and claims payable is as follows:

Year ending June 30,	General Obligation bonds		Refunding Bonds		EPA Loans		Certificates of Indebtedness		Total - All Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	4,175,000	8,174,233	12,545,000	5,758,883	156,974	171,504	1,500,000	338,902	18,376,974	14,443,522
2006	4,410,000	7,903,614	13,320,000	4,982,355	137,112	134,611	1,590,000	277,110	19,457,112	13,297,690
2007	4,655,000	7,633,549	14,145,000	4,137,905	153,926	117,796	1,595,000	211,606	20,548,926	12,100,856
2008	6,450,000	7,323,215	15,055,000	3,221,140	172,819	98,904	1,690,000	146,210	23,367,819	10,789,469
2009	6,870,000	6,981,272	17,595,000	2,239,030	194,049	77,673	1,790,000	76,076	26,449,049	9,374,051
2010 - 2014	40,825,000	29,134,329	38,374,853	53,074,159	451,957	197,136	-	-	79,651,810	82,405,624
2015 - 2019	54,195,000	16,939,759	553,878	2,256,121	-	-	-	-	54,748,878	19,195,880
2020 - 2024	36,540,000	2,859,232	-	-	-	-	-	-	36,540,000	2,859,232
TOTAL	\$ 158,120,000	\$ 86,949,203	\$ 111,588,731	\$ 75,669,593	\$ 1,266,837	\$ 797,624	\$ 8,165,000	\$ 1,049,904	\$ 279,140,568	\$ 164,466,324

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

9. LONG-TERM OBLIGATIONS, (continued)

Changes in Long-term Obligations

Long-term Obligation	Balance Beginning	Refundings/ Additions	Refundings/ Retirements	Balance Ending	Balance due within one year
General Obligation Bonds					
Series 1995 - Issued 10/01/95	\$27,835,000	\$ -	\$ 5,000	\$27,830,000	\$ 5,000
Series 1996 - Issued 03/01/96	30,570,000	-	1,035,000	29,535,000	1,095,000
Series 1997 - Issued 03/01/97	31,555,000	-	985,000	30,570,000	1,035,000
Series 1997A - Issued 12/01/97	31,555,000	-	985,000	30,570,000	1,035,000
Series 1998A - Issued 03/01/98	32,530,000	-	915,000	31,615,000	970,000
Series 1998B - Issued 03/01/98	8,035,000	-	35,000	8,000,000	35,000
Revenue Anticipation Notes					
Series 2003G - Issued 10/09/03	-	14,900,000	14,900,000	-	-
Series 2004 - Issued 02/26/04	-	50,000,000	50,000,000	-	-
Refunding Bonds					
Series 1991 - Issued 12/1/91	16,523,731	-	-	16,523,731	-
Series 1995 - Issued 10/1/95	17,015,000	-	2,265,000	14,750,000	2,375,000
Series 1995 A&B Issued 12/1/95	90,280,000	-	9,555,000	80,725,000	10,170,000
EPA Loans	1,419,635	-	152,798	1,266,837	156,974
Certificates of indebtedness					
Series 1966	245,000	-	80,000	165,000	80,000
Series 1999*	9,345,000	-	1,345,000	8,000,000	1,420,000
Capital leases					
Energy retrofit lease 06/26/03	6,649,500	-	591,525	6,057,975	766,923
Buses	4,809,130	-	716,877	4,092,253	748,777
Interest Payable on Refunding Series 1991*	19,557,479	2,625,921	-	22,183,400	-
Accrued Compensated Absences	11,051,106	670,505	-	11,721,611	2,483,647
Liability for Claims Payable	42,089,987	10,517,779	-	52,607,766	-
Total Long-term Obligations	\$381,065,568	\$78,714,205	\$83,566,200	\$376,213,573	\$22,376,321

*Interest is compounded and due in the future in previous years interest payable was recorded as principal.

Bond Indentures

There are a number of limitations and restrictions contained in the various bond indentures. The School Board is in compliance with all significant covenants.

Statutory Debt Limit

As of June 30, 2004, the statutory debt limit for general obligation bonds was \$911,613,485 and the net legal debt margin was \$780,423,197. There was \$26,867,712 available in the Debt Service Fund to pay debt service requirements on the general obligation bonds outstanding at June 30, 2004.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

10. LEASES

Operating Leases

The School Board has a number of operating leases for land, buildings and equipment used for schools and administrative centers. For these leases, the School Board has, as of June 30, 2004, contractual agreements requiring the following annual rental payments:

Fiscal Year Ending June 30,	Amount
2005	\$ 3,875,548
2006	\$ 3,122,000
2007	\$ 436,302
2008	\$ 73,104

Rental expenditures under operating leases for facilities for the year ended June 30, 2004 amounted to \$4,939,423.

Capital Leases

The School Board records items under capital leases as an asset and an obligation in the accompanying financial statements. Energy retrofit improvements for 1996-1997 were expensed or are considered fully depreciated.

Assets acquired through other capital leases are as follows:

<u>Asset</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Asset</u>
School buses	\$ 5,522,865	\$1,660,593	\$ 3,862,272

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2004:

	<u>Energy Retrofit</u>	<u>School Buses</u>	<u>Total</u>
Fiscal year:			
2005	\$ 1,062,238	\$ 930,882	\$ 1,993,120
2006	1,058,138	930,883	1,989,021
2007	1,060,488	930,882	1,991,370
2008	1,059,125	930,882	1,990,007
2009	1,060,125	930,882	1,991,007
2010 and thereafter	2,061,900	-	2,061,900
Total	7,362,014	4,654,411	12,016,425
Less amounts representing interest	(727,014)	(562,158)	(1,289,172)
Present value of net minimum lease payments	6,635,000	4,092,253	10,727,253
Less amount of deferred charges on refundings	(577,025)	(-)	(577,025)
	<u>\$ 6,057,975</u>	<u>\$ 4,092,253</u>	<u>\$ 10,150,228</u>

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

10. LEASES, (continued)

On April 1, 1996, the Louisiana Public Facilities Authority (LPFA) issued \$11,175,000 Lease Revenue Bonds (Orleans Parish School Board Energy Retrofit Project), Series 1996. The bonds were limited and special obligations of the LPFA and were secured by a Trust Indenture, dated April 1, 1996.

The LPFA used the proceeds from the sale of the bonds to: (1) purchase from the School Board certain energy retrofit improvements and equipment for all public school buildings of the School Board (hereinafter referred to as the "Project"); (2) fund a Reserve Fund; and (3) pay the cost of issuance of the bonds, including bond insurance premium. As the improvements and equipment were acquired and installed, the School Board sold the Project to the LPFA and the LPFA concurrently leased the Project to the School Board through a Lease Agreement, dated April 1, 1996, under which the School Board is obligated to annually appropriate funds in an amount sufficient to pay the principal of and interest on the Bonds, as well as other payment obligations, including the Reserve Fund Requirement (as defined in the Indenture), as payments become due.

The Project used the bonds proceeds and the Lease Agreement to implement certain replacement, retrofit and/or upgrade improvements to one hundred twenty-one (121) public school buildings of the School Board designed to reduce operating and maintenance expenses. The improvements to the School Board's existing facilities fall into four (4) major categories, as follows: (1) Energy Management; (2) Heating, Ventilation and Air Conditioning Systems; (3) Lighting Systems; and (4) Water Conservation Measures.

On June 26, 2003 the LPFA refunded the Lease Revenue Bonds Series 1996 and issued the \$7,375,000 LPFA Orleans Parish School Board Lease Revenue School Refunding Bonds Series 2003. The lease between LPFA and the School Board was modified. As a result, the previous capital lease has been removed and the new capital lease has been recorded. The new capital lease's recorded value exceeded the previous capital lease (principal portion) by \$35,000. The transaction reduced the remaining lease payments (principal and interest) by \$1,285,221 and resulted in an economic gain of \$346,073.

In the event the School Board fails to make any rental payment under the Lease Agreement, pursuant to a Withholding Agreement, the Trustee is authorized to notify the State Treasurer, who will then withhold the School Board's allocation of State Revenue Sharing Funds in the amount equal to any deficiency not paid as required under the Lease Agreement.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

11. DUE TO/FROM OTHER FUNDS

Individual balances due to/from other funds at June 30, 2004, are as follows:

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 274,148,494	\$ 238,652,699
IASA/NCLB	11,714,326	79,864
Capital Projects #2	-	7,593,846
Other Nonmajor Governmental Funds		
IDEA	4,320,791	127,780
Other Federal	8,008,968	5,191,459
State and Local	5,374,846	1,525,790
Child Nutrition	2,671,414	1,983,545
Refunding Bonds Series 1991	-	2,295,190
Refunding Bonds Series 1995 and 1998	-	3,304,882
General Obligation Bonds	7,746,624	27,454,773
Energy Retrofit Project	-	725,131
Gordon School Loan	205,176	-
Short Term Financing	838,246	
Capital Project #1	371,878	8,822,259
Capital Project #3	1,278,871	3,856
Capital Project #4	58,834	-
Capital Project #5	-	1,017,012
Capital Project Hail Damage Proceeds	-	14,009,137
Proprietary Funds		
Health Insurance	3,506,220	-
Life, Dental and Optical Insurance	-	879,654
Workers' Compensation Insurance	-	7,033,828
Other Insurance	58,684,776	54,062,378
Print Shop	362,730	558,344
Fiduciary Funds		
Trust Funds	1	28,280
Payroll Withholding	29,541,632	33,604,124
Other Agency Funds	76,204	20,100
	<u>\$ 408,910,031</u>	<u>\$ 408,973,931</u>

ORLEANS PARISH SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS

June 30, 2004

12. CHANGES IN AGENCY FUNDS – DEPOSITS DUE OTHERS

<u>Agency Fund</u>	Balance at July 1, 2003	Additions	Deletions	Balance at June 30, 2004
Student Activity	\$ 4,942,376	\$ 11,871,451	\$ 12,105,402	\$ 4,708,425
Other	41,625	230,870	246,524	25,971
	<u>\$ 4,984,001</u>	<u>\$ 12,102,321</u>	<u>\$ 12,351,926</u>	<u>\$ 4,734,396</u>

13. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

On-behalf payments for fringe benefits and salaries are direct payments made by an entity (the paying agent) to a third-party recipient for the employees of another legally separate entity (the employer entity). GASB Statement No. 24 requires employer governments to recognize revenue and expenditures or expenses for these on-behalf payments. The state of Louisiana made pension contributions (regarding Professional Improvement Program) directly to the Teachers' Retirement System of Louisiana on behalf of the School Board in the amount of \$143,603. On behalf revenues and related expense is recorded in the General Fund.

14. LITIGATION AND CONTINGENCIES

Claims

The School Board is a defendant in several workers' compensation, personal injury, personnel action and contractual lawsuits. Provision for losses for these lawsuits are recorded in the financial statements, principally in long-term debt obligations. Management and legal counsel for the School Board believe that the potential claims against the School Board, not covered by insurance, are covered by the recorded liability.

A significant claim is by former School Board employees under the Federal False Claims Act. Plaintiffs claimed that the School Board submitted improper claims to the federal government for reimbursement of unemployment and workers' compensation insurance costs. After jury trial in federal court, judgment was rendered April 27, 1999 against the School Board for \$22,900,000. The School Board appealed, and on March 28, 2001, the Fifth Circuit Court of Appeals reversed the judgment, holding that the School Board was not a proper defendant under the federal false claims statute. The United States Supreme Court denied plaintiff's writ application on January 7, 2002, and denied plaintiffs' petition for rehearing on February 25, 2002. Subsequently, on March 10, 2003 the U.S. Supreme Court ruled in *Chandler V. Cook County* that the False Claims Act could be used against counties. The plaintiffs then filed a Petition for Relief from Judgment on May 12, 2003 arguing that the *Chandler* case abrogated the holding of this case. The District Court agreed and reinstated the judgment. The Fifth Circuit Court of Appeals reversed the District Court decision. The deadline for seeking rehearing before the Fifth Circuit Court of Appeals has passed. The plaintiffs have until April 18, 2005 to seek review in the U.S. Supreme Court. The School Board counsel has not received any notice as of the report date regarding such a review. A reserve of \$6,000,000 has been recorded for this potential liability.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

14. LITIGATION AND CONTINGENCIES, (continued)

Federal and State Grants

In the normal course of operations, the School Board receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The School Board has recorded an intergovernmental payable which represents excess reimbursements for approximately \$2,800,000.

The School Board is undergoing an audit by the Department of Education of federal grant funds. Preliminary discussions indicate some findings and questioned costs are expected, particularly with regard to the capital assets purchased with grant funds. The possible outcome of this audit cannot be determined at the present time and, therefore, the School Board is unable to estimate the liability, if any, that may result from this audit.

The School Board's Title I Program is also undergoing an audit by the Department of Education. The Department of Education has requested documentation to support approximately \$61,000,000 of questioned costs. The possible outcome of this audit cannot be determined at the present time and, therefore, the School Board is unable to estimate the liability, if any, that may result from this audit.

Investigations

Certain potentially illegal acts committed by employees have been identified by the School Board and referred to appropriate authorities for investigation. An investigation by the Department of Justice regarding the processing of certain large contracts by a former employee resulted in a guilty plea by the former employee. A number of payroll and human resource related problems have also been identified, including payments to former employees after termination and incorrect withholding and benefit payments. A number of indictments have resulted. The School Board intends to seek full restitution. The Louisiana Legislative Auditor is presently reviewing certain transactions to determine their propriety. Internally, the School Board continues to identify and investigate allegations; however, at this time, the School Board is unable to determine the affect, if any, that these investigations may have on the financial statements.

Arbitrage

A computation associated with interest earned on funds from tax exempt bond proceeds, is required to be made at the end of each bond year. The computation calculates the amount, if any, that is to be rebated to the U. S. Government for the difference in the investment yield and the bond yield, in order for the bonds to maintain their tax exempt status. The amount owed would be payable at the end of the fifth bond year and upon final maturity of the bonds. The arbitrage rebate owed to the U. S. Government has been estimated at \$490,000 and is recorded in the General Fund.

15. COMMITMENTS

At June 30, 2004, the School Board had construction commitments of approximately \$8,300,000. The majority of these commitments will ultimately be paid out of the Capital Projects Funds.

ORLEANS PARISH SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS

June 30, 2004

16. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds		
General Fund	\$ (39,949,582)	\$ 5,529,580
IASA/NCLB	(2,431,863)	6,032,141
Other Nonmajor Governmental Funds		
IDEA	(356,121)	56,095
Other Federal	(35,577)	840,306
State and Local	(67,869)	1,861,682
Child Nutrition	-	1,150,500
Refunding Bonds Series 1995 & 1998	-	18,307,169
General Obligation Bonds	-	-
Energy Retrofit Project	-	905,811
Gordon School Loan	-	95,288
EPA Loan	-	187,000
MIS Project Funding	-	1,757,668
Capital Project #1	-	2,325,915
Capital Project #5	(266,082)	2,914,424
Proprietary Funds		
Health Insurance	-	1,689,528
Life, Dental and Optical Insurance	-	-
Workers' Compensation Insurance	(1,083,115)	1,334,639
Other Insurance	(434,807)	-
Print Shop	(362,730)	-
	<u>\$ (44,987,746)</u>	<u>\$ 44,987,746</u>

ORLEANS PARISH SCHOOL BOARD
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NOTES TO FINANCIAL STATEMENTS

June 30, 2004

16. INTERFUND TRANSFERS, (continued)

Transfers between funds generally consist of two types: 1) Transfers to the General Fund from the special revenue funds for indirect cost reimbursements; 2) Transfers from the General Fund to other programs to provide supplemental local funds for program operations.

17. RISK MANAGEMENT

The School Board is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; workers' compensation and health insurance for its employees. The School Board has established the following internal service funds to account for and finance these risks of loss:

- a. Health Insurance - This fund is used to account for the employee and employer contributions to, and the payment of premiums for the Health Insurance Program. Effective August 1994, the School Board ended its self-insured program and established a fully insured program. Prior to 1994, the School Board offered a self-insured employee medical and health program financed solely by employees and the School Board.
- b. Life, Dental and Optical Insurance - This fund is used to account for the employee and employer contributions to and the payment of premiums for the Life, Dental and Optical Insurance Programs. These programs are fully insured, subject to retrospective adjustment for premiums.
- c. Workers' Compensation - This fund is used to account for claims arising from employment related injuries. Prior to December 1, 1984, this fund was self-insured by the School Board for claims up to \$150,000 per occurrence. Subsequently, and until April, 1990, coverage was on a fully insured basis. In April, 1990, the School Board initiated participation in a self-insurance plan which includes the purchase of excess insurance for claims in excess of \$350,000 per occurrence. The workers' compensation limit for each accident is the statutory amount.
- d. Other Insurance - This fund is used to account for the other insurance programs. The significant insurance programs of this fund consist of the following types: fire and wind storm coverage for buildings and contents; comprehensive automotive fleet insurance, automotive general liability; flood insurance; unemployment insurance; professional liability; and fidelity bond coverage.

Self-insured litigated claims are not reported in internal service funds, but beginning April 1, 1999 the revenues and expenses for non-litigated claims are in the General Fund. The estimate for litigated claim liabilities is reported in the GWFS.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

17. RISK MANAGEMENT. (continued)

A reconciliation of the unpaid claims liability as of June 30 follows:

	General Liability	Workers' Compensation Fund	Health Insurance Fund	Litigated Claims	Total
Unpaid claims as of June 30, 2003	\$ 3,880,633	\$ 7,997,283	\$ 85,784	\$ 42,089,987	\$ 54,053,687
Current year claims incurred and changes in estimates	(34,681)	1,309,719	(42,890)	5,294,177	6,526,325
Claims paid	-	(2,632,359)	-	-	(2,632,359)
Unpaid claims as of June 30, 2004	<u>\$ 3,845,952</u>	<u>\$ 6,674,643</u>	<u>\$ 42,894</u>	<u>\$ 47,384,164</u>	<u>\$ 57,947,653</u>
	General Liability	Workers' Compensation Fund	Health Insurance Fund	Litigated Claims	Total
Unpaid claims as of June 30, 2002	\$ 4,444,355	\$ 6,750,396	\$ 171,568	\$ 26,064,718	\$ 37,431,037
Current year claims incurred and changes in estimates	(507,309)	1,663,201	(85,784)	16,025,269	17,095,377
Claims paid	(56,412)	(416,314)	-	-	(472,726)
Unpaid claims as of June 30, 2003	<u>\$ 3,880,633</u>	<u>\$ 7,997,283</u>	<u>\$ 85,784</u>	<u>\$ 42,089,987</u>	<u>\$ 54,053,687</u>

The above unpaid claims as of June 30 include amounts for claims incurred but not yet reported, as determined from actual claims paid subsequent to year-end as well as an estimate based upon historical lag trends. For insured risks the amount of settlements has not exceeded insurance average for each of the last three years.

18. DEFICITS IN FUND EQUITY

The following funds have deficits in fund equity (net assets) at June 30, 2004:

Fund	Deficit Amount
Gordon School Loan	<u>\$ 190,617</u>
Capital Project #4	<u>\$ 58,834</u>
EPA Loan	<u>\$ 62,000</u>
Life, Dental and Optical Insurance	<u>\$ 121,233</u>

The General Fund had an unreserved/undesignated fund deficit of \$3,746,642 at June 30, 2004.

ORLEANS PARISH SCHOOL BOARD
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

19. EXCESS OF EXPENDITURES OVER APPROPRIATIONS – INDIVIDUAL FUNDS

As reported in the budgetary comparison schedules that are presented as required supplemental information for the year ended June 30, 2004. There were no actual expenditures in the general and special revenue funds that exceeded budgeted appropriations.

20. SUBSEQUENT EVENTS

On October 1, 2004 the School Board issued a \$31,700,000 revenue anticipation certificate Series 2004D to the LPFA. These certificates are due in March and April 2005. All revenues of the School Board's General Fund for the fiscal year ending June 30, 2005 are pledged to the LPFA to secure payment. In the event the School Board fails to fully pay the principal and interest on the due date, the Louisiana State Department of Education will make payments from the School Board's Minimum Foundation Equalization Distribution Funds to the sinking fund for repayment of the certificates.

Required Supplementary Information-Part II

■ Budgetary Comparison Schedules

■ General Fund

**■ No Child Left Behind Act (NCLB)/
Improving America's Schools Act (IASA) Fund**

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ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2004

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Local sources:				
Ad valorem taxes	\$ 90,140,000	\$ 96,140,000	\$ 102,893,795	\$ 6,753,795
Sales and use tax (including vehicle)	90,255,000	91,532,000	93,252,993	1,720,993
Earnings on investments	-	-	474,666	474,666
Other	6,406,000	6,406,000	12,945,415	6,539,415
State and federal sources:	-	-		
Minimum Foundation Program	218,147,000	215,873,164	215,873,444	280
Other	6,450,000	6,450,000	6,598,735	148,735
Federal sources	3,800,000	5,249,376	2,216,760	(3,032,616)
E-Rate matching	-	1,277,559	-	(1,277,559)
TOTAL REVENUES	415,198,000	422,928,099	434,255,808	11,327,709
<u>EXPENDITURES</u>				
Current:				
Instruction:				
Regular programs	175,699,000	186,958,909	164,822,376	22,136,533
Special programs	51,806,000	40,591,603	53,460,499	(12,868,896)
Other programs	-	6,782,044	5,085,898	1,696,146
Support:				
Student services	27,011,000	27,495,486	32,144,739	(4,649,253)
Instructional staff support	16,982,000	16,305,876	12,742,945	3,562,931
General administration	6,254,000	8,150,541	9,909,996	(1,759,455)
School administration	22,736,000	17,762,670	22,700,785	(4,938,115)
Business services	4,948,000	6,895,301	13,372,082	(6,476,781)
Student transportation services	17,372,000	18,968,301	17,927,731	1,040,570
Central services	20,289,000	26,874,780	16,778,330	10,096,450
Plant services	41,472,000	53,178,365	47,811,446	5,366,919
Other	-	1,227,558	-	1,227,558
Food services	-	-	150,104	(150,104)
Capital outlay	-	-	515,854	(515,854)
Other	200,000	-	14,180	(14,180)
Debt Service:				
Principal retirement	30,429,000	370,000	716,876	(346,876)
Interest and bank charges	-	-	-	-
TOTAL EXPENDITURES	415,198,000	411,561,434	398,153,841	13,407,593
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 -	 11,366,665	 36,101,967	 24,735,302
				(continued)

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - continued
FISCAL YEAR ENDED JUNE 30, 2004

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<u>OTHER FINANCING SOURCES</u>				
Transfers in	-	-	5,529,580	5,529,580
Transfers out	-	(32,616,443)	(54,941,162)	(22,324,719)
 TOTAL OTHER FINANCING SOURCES (USES)	 -	 (32,616,443)	 (49,411,582)	 (16,795,139)
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 -	 (21,249,778)	 (13,309,615)	 7,940,163
 FUND BALANCE, JUNE 30, 2003	 17,694,000	 17,405,540	 8,452,393	 (8,953,147)
 PRIOR PERIOD ADJUSTMENT	 -	 -	 4,977,202	 4,977,202
 FUND BALANCE, JUNE 30, 2004	 \$ 17,694,000	 \$ (3,844,238)	 \$ 119,980	 \$ 3,964,218 (concluded)

Note: Ad valorem taxes include ad valorem taxes dedicated to general obligation bonds and proposition D millage dedicated to debt service. Transfers out includes the transfer of these taxes to the appropriate debt service fund. For financial reporting purposes these ad valorem taxes are reported as revenues directly in the debt service fund.

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
IASA/NCLB
BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2004

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
State and federal sources:				
Federal funds	\$ 88,006,514	\$ 88,006,514	\$ 47,999,543	\$ (40,006,971)
TOTAL REVENUES	88,006,514	88,006,514	47,999,543	(40,006,971)
<u>EXPENDITURES</u>				
Instruction:				
Regular programs	8,193,651	8,193,651	2,293,715	5,899,936
Special programs	-	-	10,890	(10,890)
Other programs	72,141,851	72,141,851	45,920,956	26,220,895
Support:				
Student services	280,481	280,481	72,167	208,314
Instructional staff support	2,622,140	2,622,140	2,547,930	74,210
General administration	48,938	48,938	(29,391)	78,329
School administration	3,070	3,070	8,790	(5,720)
Business services	-	-	92,010	(92,010)
Student transportation services	847,104	847,104	430,304	416,800
Plant services	128,862	128,862	194,107	(65,245)
Food services	-	-	-	-
Other	50,000	50,000	58,343	(8,343)
TOTAL EXPENDITURES	84,316,097	84,316,097	51,599,821	32,716,276
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 3,690,417	 3,690,417	 (3,600,278)	 (7,290,695)
<u>OTHER FINANCING SOURCES</u>				
Transfers in	-	-	6,032,141	6,032,141
Transfers out	(3,690,717)	(3,690,717)	(2,431,863)	1,258,854
TOTAL OTHER FINANCING SOURCES (USES)	(3,690,717)	(3,690,717)	3,600,278	7,290,995
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(300)	(300)	-	300
 FUND BALANCE, JUNE 30, 2003	 -	 -	 -	 -
 FUND BALANCE, JUNE 30, 2004	 \$ (300)	 \$ (300)	 \$ -	 \$ -

Other Supplementary Information

■ **Nonmajor Governmental Funds**

■ **Internal Service Funds**

■ **Fiduciary Funds**

■ **Capital Assets Used in the Operation of
Governmental Funds**

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ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

Nonmajor Governmental Funds

■ Combining Financial Statements -By Fund Type

■ Combining Financial Statements

- Nonmajor Special Revenue Funds
- Nonmajor Debt Service Funds
- Nonmajor Capital Projects Funds

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ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	Special Revenue	Debt Service	Capital Project	Total
<u>ASSETS</u>				
Cash	\$ -	\$ 1,003,926	\$ 303,692	\$ 1,307,618
Investments	-	3,279,888	6,962,557	10,242,445
Due from other funds	8,828,574	33,779,976	23,852,264	66,460,814
Due from other governments	14,788,549	-	-	14,788,549
Inventory	866,378	-	-	866,378
Other receivables	1,613,738	1,604	-	1,615,342
TOTAL ASSETS	\$ 26,097,239	\$ 38,065,394	\$ 31,118,513	\$ 95,281,146
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 1,294,748	\$ 78,281	\$ 452,733	\$ 1,825,762
Retainage payable	-	-	226,725	226,725
Salaries payable	2,123,921	-	-	2,123,921
Due to other funds	20,376,019	8,790,046	1,709,583	30,875,648
Due to other governments	1,449,665	-	-	1,449,665
Deferred revenues	284,798	-	-	284,798
TOTAL LIABILITIES	\$ 25,529,151	\$ 8,868,327	\$ 2,389,041	\$ 36,786,519
Fund balances:				
Reserved for:				
Inventory	\$ 866,378	\$ -	\$ -	\$ 866,378
Encumbrances	277,428		4,291,811	4,569,239
Debt service	-	29,197,067	-	29,197,067
Unreserved, reported in				
Special revenue	(575,718)	-	-	(575,718)
Capital projects	-	-	24,437,661	24,437,661
TOTAL FUND BALANCES	\$ 568,088	\$ 29,197,067	\$ 28,729,472	\$ 58,494,627
TOTAL LIABILITIES AND FUND BALANCES	\$ 26,097,239	\$ 38,065,394	\$ 31,118,513	\$ 95,281,146

ORLEANS PARISH SCHOOL BOARD**New Orleans, Louisiana****NONMAJOR GOVERNMENTAL FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****JUNE 30, 2004**

	Special Revenue	Debt Service	Capital Project	Total
<u>REVENUES</u>				
Local sources:				
Ad valorem taxes	\$ -	\$ 14,991,580	\$ -	\$ 14,991,580
Investment earnings	3,476	46,256	99,930	149,662
Food services	586,241	-	-	586,241
Other	720,665	-	54,871	775,536
State and federal:	-	-	-	-
Minimum Foundation Program	880,800	-	-	880,800
Other	16,691,304	-	-	16,691,304
Federal funds	38,085,017	-	-	38,085,017
TOTAL REVENUES	56,967,503	15,037,836	154,801	72,160,140
<u>EXPENDITURES</u>				
Instruction:				
Regular education programs	8,617,960	-	-	8,617,960
Special education programs	7,448,269	-	-	7,448,269
Other education programs	16,541,941	-	-	16,541,941
Support:				
Student services	230,468	-	-	230,468
Instructional staff services	2,069,664	-	-	2,069,664
General administration	10,969	-	-	10,969
School administration	-	-	-	-
Business services	-	-	-	-
Student transportation services	387,473	-	-	387,473
Central services	195,531	-	-	195,531
Plant services	5,552	-	-	5,552
Food services	24,679,847	-	-	24,679,847
Capital Outlay	-	-	5,333,862	5,333,862
Other	(9,965)	-	1,371	(8,594)
Debt Service:				
Principal retirement	-	17,949,324	-	17,949,324
Interest and bank charges	-	15,615,363	-	15,615,363
Payments to escrow agent	-	-	-	-
Bond issuance cost	-	148,474	-	148,474
TOTAL EXPENDITURES	60,177,709	33,713,161	5,335,233	99,226,103
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,210,206)	(18,675,325)	(5,180,432)	(27,065,963)

(continued)

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - continued

JUNE 30, 2004

	Special Revenue	Debt Service	Capital Project	Total
<u>OTHER FINANCING SOURCES AND USES</u>				
Transfers in	3,908,583	21,252,936	5,240,339	30,401,858
Transfers out	(459,567)	-	(266,082)	(725,649)
Proceeds from refunding bonds	-	-	-	-
Payments to refunding bond escrow	-	-	-	-
 TOTAL OTHER FINANCING SOURCES	 3,449,016	 21,252,936	 4,974,257	 29,676,209
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 238,810	 2,577,611	 (206,175)	 2,610,246
 FUND BALANCE, JUNE 30, 2003	 329,278	 26,619,456	 28,935,647	 55,884,381
 FUND BALANCE, JUNE 30, 2004	 \$ 568,088	 \$ 29,197,067	 \$ 28,729,472	 \$ 58,494,627
				(concluded)

Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures related to federal, state and local grant and entitlement programs for various educational objectives. Also included are the revenues and expenditures for the school breakfast and lunch programs. Nonmajor Special Revenue Funds administered by the School Board include grants for the following programs:

- Individuals with Disabilities Education Act (IDEA) Fund
- Child Nutrition Fund
- Other Federal Funds
 - Dropout Prevention
 - Migrant Education
 - Drug and Violence Prevention
 - Vocational Education
 - Homeless Assistance
 - Goals 2000
 - Starting Points Pre-School
 - Temporary Aid to Needy Families
 - Comprehensive School Reform
- State and Local Funds

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ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2004

	<u>IDEA</u>	<u>Other Federal</u>
<u>ASSETS</u>		
Cash	\$ -	\$ -
Due from other funds	127,780	5,191,459
Due from other governments	4,858,862	3,339,149
Inventory	-	-
Other receivables	-	-
TOTAL ASSETS	<u>\$ 4,986,642</u>	<u>\$ 8,530,608</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 357,028	\$ 52,053
Salaries payable	199,482	300,458
Due to other funds	4,320,791	8,008,968
Deferred revenues	-	-
Due to other governments	109,341	169,129
TOTAL LIABILITIES	<u>4,986,642</u>	<u>8,530,608</u>
Fund balances:		
Reserved for inventory	-	-
Reserved for encumbrances	-	-
Unreserved - undesignated	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,986,642</u>	<u>\$ 8,530,608</u>

State and Local	Child Nutrition	Total
\$ -	\$ -	\$ -
1,525,790	1,983,545	8,828,574
6,590,538	-	14,788,549
-	866,378	866,378
-	1,613,738	1,613,738
<u>\$ 8,116,328</u>	<u>\$ 4,463,661</u>	<u>\$ 26,097,239</u>

\$ 242,469	\$ 643,198	\$ 1,294,748
1,327,818	296,163	2,123,921
5,374,846	2,671,414	20,376,019
-	284,798	284,798
1,171,195		1,449,665
<u>8,116,328</u>	<u>3,895,573</u>	<u>25,529,151</u>

-	866,378	866,378
-	277,428	277,428
-	(575,718)	(575,718)
<u>-</u>	<u>568,088</u>	<u>568,088</u>
<u>\$ 8,116,328</u>	<u>\$ 4,463,661</u>	<u>\$ 26,097,239</u>

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
JUNE 30, 2004

	<u>IDEA</u>	<u>Other Federal</u>
<u>REVENUES</u>		
Investment earnings	\$ -	\$ -
Food services	-	-
Other	-	-
State and federal:		
Minimum Foundation Program	-	-
Other	-	-
Federal funds	9,172,871	6,905,423
TOTAL REVENUES	9,172,871	6,905,423
<u>EXPENDITURES</u>		
Current		
Instruction:		
Regular education programs	-	251,765
Special education programs	7,057,362	2,013
Other education programs	59	7,088,574
Support:		
Student services	28,748	147,702
Instructional staff services	1,700,762	245,834
General administration	10,969	-
School administration	-	-
Plant services	5,344	-
Student transportation services	28,822	3,217
Central services	-	-
Food services	-	-
Other	40,779	(28,953)
TOTAL EXPENDITURES	8,872,845	7,710,152
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 300,026	 (804,729)

State and Local	Child Nutrition	Total
\$ -	\$ 3,476	\$ 3,476
-	586,241	586,241
429,748	290,917	720,665
-	880,800	880,800
16,691,304		16,691,304
-	22,006,723	38,085,017
17,121,052	23,768,157	56,967,503

8,366,195	-	8,617,960
388,894	-	7,448,269
9,453,308	-	16,541,941
54,018	-	230,468
123,068	-	2,069,664
-	-	10,969
-	-	-
208	-	5,552
355,434	-	387,473
195,531	-	195,531
-	24,679,847	24,679,847
(21,791)	-	(9,965)
18,914,865	24,679,847	60,177,709

(1,793,813)	(911,690)	(3,210,206)
		(continued)

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- continued
JUNE 30, 2004

	IDEA	Other Federal
<u>OTHER FINANCING SOURCES AND USES</u>		
Transfers in	56,095	840,306
Transfers out	(356,121)	(35,577)
	<u>(300,026)</u>	<u>804,729</u>
 TOTAL OTHER FINANCING SOURCES		
 EXCESS OF REVENUES AND OTHER FINANCING		
SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-
FUND BALANCE, JUNE 30, 2003	<u>-</u>	<u>-</u>
 FUND BALANCE, JUNE 30, 2004	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

State and Local	Child Nutrition	Total
1,861,682	1,150,500	3,908,583
(67,869)	-	(459,567)
1,793,813	1,150,500	3,449,016
-	238,810	238,810
-	329,278	329,278
\$ -	\$ 568,088	\$ 568,088
		(concluded)

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
NONMAJOR SPECIAL REVENUE FUNDS
INDIVIDUALS WITH DISABILITIES EDUCATION ACT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
State and federal sources:			
Federal funds	\$ 19,782,507	\$ 9,172,871	\$ (10,609,636)
TOTAL REVENUES	19,782,507	9,172,871	(10,609,636)
<u>EXPENDITURES</u>			
Instruction:			
Special education programs	15,056,302	7,057,362	7,998,940
Other education programs	-	59	(59)
Support:			
Student services	71,055	28,748	42,307
Instructional staff services	3,374,662	1,700,762	1,673,900
General administration	21,924	10,969	10,955
Business services	-	-	-
Plant services	13,977	5,344	8,633
Student transportation services	-	28,822	(28,822)
Other	-	40,779	(40,779)
TOTAL EXPENDITURES	18,537,920	8,872,845	9,665,075
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,244,587	300,026	(944,561)
<u>OTHER FINANCING SOURCES AND USES</u>			
Transfers in	-	56,095	56,095
Transfers out	(1,244,587)	(356,121)	888,466
TOTAL OTHER FINANCING SOURCES (USES)	(1,244,587)	(300,026)	944,561
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	-
FUND BALANCE, JUNE 30, 2003	-	-	-
FUND BALANCE, JUNE 30, 2004	\$ -	\$ -	\$ -

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR SPECIAL REVENUE FUNDS

OTHER FEDERAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
State and federal:			
Federal funds	\$ 9,977,051	\$ 6,905,423	\$ (3,071,628)
TOTAL REVENUES	9,977,051	6,905,423	(3,071,628)
<u>EXPENDITURES</u>			
Instruction:			
Regular education programs	532,071	251,765	280,306
Special education programs	-	2,013	(2,013)
Other education programs	8,051,739	7,088,574	963,165
Support:			
Student services	94,601	147,702	(53,101)
Instructional staff services	749,989	245,834	504,155
School administration	-	-	-
Plant services	2,445	-	2,445
Student transportation services	437,103	3,217	433,886
Central services	1,845	-	1,845
Other	-	(28,953)	28,953
TOTAL EXPENDITURES	9,869,793	7,710,152	2,159,641
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 107,258	 (804,729)	 (911,987)
<u>OTHER FINANCING SOURCES AND USES</u>			
Transfers in	-	840,306	840,306
Transfers out	(107,258)	(35,577)	71,681
TOTAL OTHER FINANCING SOURCES (USES)	(107,258)	804,729	911,987
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 -	 -	 -
FUND BALANCE, JUNE 30, 2003	-	-	-
 FUND BALANCE, JUNE 30, 2004	 \$ -	 \$ -	 \$ -

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR SPECIAL REVENUE FUNDS

STATE AND LOCAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Local sources:			
Other	\$ -	\$ 429,748	\$ 429,748
State and federal:			
Other	21,803,581	16,691,304	\$ (5,112,277)
TOTAL REVENUES	21,803,581	17,121,052	(4,682,529)
<u>EXPENDITURES</u>			
Instruction:			
Regular education programs	10,637,164	8,366,195	2,270,969
Special education programs	293,561	388,894	(95,333)
Other education programs	9,784,294	9,453,308	330,986
Support:			
Student services	56,100	54,018	2,082
Instructional staff services	484,521	123,068	361,453
General administration	3,015	-	3,015
Plant services	750	208	542
Student transportation services	359,969	355,434	4,535
Central services	206,247	195,531	10,716
Other expenses	-	(21,791)	21,791
TOTAL EXPENDITURES	21,825,621	18,914,865	2,910,756
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (22,040)	 (1,793,813)	 (1,771,773)
<u>OTHER FINANCING SOURCES AND USES</u>			
Transfers in	-	1,861,682	1,861,682
Transfers out	(7,960)	(67,869)	59,909
TOTAL OTHER FINANCING SOURCES	(7,960)	1,793,813	1,861,682
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 (30,000)	 -	 89,909
FUND BALANCE, JUNE 30, 2003	-	-	-
 FUND BALANCE, JUNE 30, 2004	 \$ (30,000)	 \$ -	 \$ 89,909

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR SPECIAL REVENUE FUNDS

CHILD NUTRITION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
Local sources:			
Investment earnings	\$ -	\$ 3,476	\$ 3,476
Food services	2,051,000	586,241	(1,464,759)
Other	-	290,917	290,917
State and federal:			
Minimum Foundation Program	881,000	880,800	(200)
Federal funds	24,839,000	22,006,723	(2,832,277)
TOTAL REVENUES	27,771,000	23,768,157	(4,002,843)
<u>EXPENDITURES</u>			
Food services	27,717,527	24,679,847	3,037,680
TOTAL EXPENDITURES	27,717,527	24,679,847	3,037,680
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 53,473	 (911,690)	 (965,163)
 <u>OTHER FINANCING SOURCES AND USES</u>			
Transfers in	-	1,150,500	1,150,500
 TOTAL OTHER FINANCING SOURCES	 -	 1,150,500	 1,150,500
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 53,473	 238,810	 185,337
FUND BALANCE, JUNE 30, 2003	610,445	329,272	(281,173)
 FUND BALANCE, JUNE 30, 2004	 \$ 663,918	 \$ 568,082	 \$ (95,836)

Nonmajor Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related costs and capital lease. A separate Debt Service Fund is maintained for each bond issue or similar bond issue and loan that had activity during the year or is currently outstanding. The Nonmajor Debt Service Funds include:

- Refunding Bonds Series 1991
- Refunding Bonds Series 1995 and 1998
- General Obligation Bonds
- Energy Retrofit Project
- Gordon School Loan
- EPA Loan
- Management Information System (MIS) Project Funding
- Short-term Financing

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ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2004

	Refunding Bonds Series 1991	Refunding Bond Series 1995 & 1998	General Obligation Bonds
<u>ASSETS</u>			
Cash	\$ 3,510	\$ 113,367	\$ 21,309
Investments	3,264	1,534,419	1,742,205
Other receivables	1,604	-	-
Due from other funds	2,295,190	3,304,882	27,454,773
TOTAL ASSETS	<u>\$ 2,303,568</u>	<u>\$ 4,952,668</u>	<u>\$ 29,218,287</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 16,281
Due to other funds	-	-	7,746,624
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>7,762,905</u>
Fund balances:			
Reserved for debt service	2,303,568	4,917,668	21,490,382
TOTAL FUND BALANCES	<u>2,303,568</u>	<u>4,917,668</u>	<u>21,490,382</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,303,568</u>	<u>\$ 4,917,668</u>	<u>\$ 29,253,287</u>

Energy Retrofit Project	Gordon School Loan	EPA Loan	MIS Project Funding	Short-Term Financing	Total
\$ 138	\$ 14,559	\$ -	\$ -	\$ 851,043	\$ 1,003,926
-	-	-	-	-	3,279,888
-	-	-	-	-	1,604
725,131	-	-	-	-	33,779,976
<u>\$ 725,269</u>	<u>\$ 14,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 851,043</u>	<u>\$ 38,065,394</u>
\$ -	\$ -	\$ 62,000	\$ -	\$ -	\$ 78,281
-	205,176	-	-	838,246	8,790,046
-	205,176	62,000	-	838,246	8,868,327
725,269	(190,617)	(62,000)	-	12,797	29,197,067
725,269	(190,617)	(62,000)	-	12,797	29,197,067
<u>\$ 725,269</u>	<u>\$ 14,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 851,043</u>	<u>\$ 38,065,394</u>

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

JUNE 30, 2004

	Refunding Bonds Series 1991	Refunding Bond Series 1995 & 1998	General Obligation Bonds
<u>REVENUES</u>			
Local sources:			
Ad Valorem taxes	\$ -	\$ 465,748	\$ 14,525,832
Earnings on investments	43	4,351	29,065
TOTAL REVENUES	43	470,099	14,554,897
<u>EXPENDITURES</u>			
Principal retirement	-	11,855,000	3,925,000
Interest and bank charges	-	6,917,917	8,007,477
Payments to escrow agent	-	-	-
Bond issuance cost	-	-	-
TOTAL EXPENDITURES	-	18,772,917	11,932,477
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	43	(18,302,818)	2,622,420
<u>OTHER FINANCING SOURCES AND USES</u>			
Transfers in	-	18,307,169	-
Transfers out	-	-	-
Proceeds from refunding bonds	-	-	-
Payments to refunding bond escrow	-	-	-
TOTAL OTHER FINANCING SOURCES	-	18,307,169	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	43	4,351	2,622,420
FUND BALANCE, JUNE 30, 2003	2,303,525	4,913,317	18,867,962
FUND BALANCE, JUNE 30, 2004	\$ 2,303,568	\$ 4,917,668	\$ 21,490,382

Energy Retrofit Project	Gordon School Loan	EPA Loan	MIS Project Funding	Short-Term Financing	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,991,580
-	-	-	-	12,797	46,256
-	-	-	-	12,797	15,037,836
591,526	80,000	152,798	1,345,000	-	17,949,324
165,811	15,288	96,202	412,668	-	15,615,363
-	-	-	-	-	-
148,474	-	-	-	-	148,474
905,811	95,288	249,000	1,757,668	-	33,713,161
(905,811)	(95,288)	(249,000)	(1,757,668)	12,797	(18,675,325)
905,811	95,288	187,000	1,757,668	-	21,252,936
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
905,811	95,288	187,000	1,757,668	-	21,252,936
-	-	(62,000)	-	12,797	2,577,611
725,269	(190,617)	-	-	-	26,619,456
\$ 725,269	\$ (190,617)	\$ (62,000)	\$ -	\$ 12,797	\$ 29,197,067

Nonmajor Capital Projects Funds

Nonmajor Capital Projects Funds account for the receipt and disbursement of proceeds of general bond issues and the special or designated revenues used for the acquisition or construction of major capital facilities, renovations and major repairs (other than General Fund capital outlays, Special Revenue Fund capital outlays, and those projects financed by Proprietary Funds).

Nonmajor Capital Projects Funds which are based on the classifications of projects established by the School Board include:

- Capital Project #1
- Capital Project #3
- Capital Project #4
- Capital Project #5
- Hail Damage Proceeds

The specific purpose of these funds are outlined in the Transmittal Letter.

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ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	Capital Project #1	Capital Project #3
<u>ASSETS</u>		
Cash	\$ 257,004	\$ 26,970
Investments	541,035	1,575,655
Due from other funds	8,822,259	3,856
Due from other governments	-	-
TOTAL ASSETS	\$ 9,620,298	\$ 1,606,481
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 153,624	\$ 35,520
Retainage payable	65,822	-
Due to other funds	371,878	1,278,871
TOTAL LIABILITIES	591,324	1,314,391
Fund balances:		
Reserved for encumbrances	611,297	60,988
Unreserved - undesignated	8,417,677	231,102
TOTAL FUND BALANCES	9,028,974	292,090
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,620,298	\$ 1,606,481

Capital Project #4	Capital Project #5	Capital Project Hail Damage Proceeds	Total
\$ -	\$ 19,718	\$ -	\$ 303,692
-	4,845,867	-	6,962,557
-	1,017,012	14,009,137	23,852,264
-	-	-	-
<u>\$ -</u>	<u>\$ 5,882,597</u>	<u>\$ 14,009,137</u>	<u>\$ 31,118,513</u>
\$ -	\$ 190,900	\$ 72,689	\$ 452,733
-	35,600	125,303	226,725
58,834	-	-	1,709,583
<u>58,834</u>	<u>226,500</u>	<u>197,992</u>	<u>2,389,041</u>
6,400	186,676	3,426,450	4,291,811
(65,234)	5,469,421	10,384,695	24,437,661
<u>(58,834)</u>	<u>5,656,097</u>	<u>13,811,145</u>	<u>28,729,472</u>
<u>\$ -</u>	<u>\$ 5,882,597</u>	<u>\$ 14,009,137</u>	<u>\$ 31,118,513</u>

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

JUNE 30, 2004

	Capital Project #1	Capital Project #3
<u>REVENUES</u>		
Local sources:		
Earnings on investments	\$ 36,956	\$ 16,195
Other	54,871	-
TOTAL REVENUES	91,827	16,195
<u>EXPENDITURES</u>		
Current		
Business services	-	-
Plant services	-	-
Central services	-	-
Other expenses	1,371	-
Capital Outlay	995,248	463,282
TOTAL EXPENDITURES	996,619	463,282
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (904,792)	 (447,087)
<u>OTHER FINANCING SOURCES AND USES</u>		
Transfers in	2,325,915	-
Transfers out	-	-
TOTAL OTHER FINANCING SOURCES	2,325,915	-
 EXCESS OF TEVENUES AND OTHER FINANCING SOURCES OVER(UNDR) EXPENDITURES AND OTHER USES	 1,421,123	 (447,087)
 FUND BALANCE, JUNE 30, 2003	 7,607,851	 739,177
 FUND BALANCE, JUNE 30, 2004	 \$ 9,028,974	 \$ 292,090

Capital Project #4	Capital Project #5	Capital Project Hail Damage Proceeds	Total
\$ -	\$ 46,779	\$ -	\$ 99,930
-	-	-	54,871
-	46,779	-	154,801
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	1,371
33,623	2,033,776	1,807,933	5,333,862
33,623	2,033,776	1,807,933	5,335,233
(33,623)	(1,986,997)	(1,807,933)	(5,180,432)
-	2,914,424	-	5,240,339
-	(266,082)	-	(266,082)
-	2,648,342	-	4,974,257
(33,623)	661,345	(1,807,933)	(206,175)
(25,211)	4,994,752	15,619,078	28,935,647
\$ (58,834)	\$ 5,656,097	\$ 13,811,145	\$ 28,729,472

(Concluded)

Internal Service Funds

Internal Service Funds are used to account for the accumulation of resources for and the payment of premiums and benefits by the School Board's insurance program, risk management operations and the revenues and expenses of the Print Shop. The School Board maintains the following Internal Service Funds:

- Health Insurance Fund
- Life, Dental and Optical Insurance Fund
- Workers' Compensation Insurance Fund
- Other Insurance Fund
(Property & Casualty, and Other Risk Programs, and Risk Management Department Operating Costs)
- Print Shop Fund

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ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

PROPRIETARY FUND TYPE

COMBINING BALANCE SHEET

JUNE 30, 2004

	Health Insurance	Life, Dental and Optical Insurance	Workers' Compensation Insurance
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 1,230,140	\$ (141,801)
Other receivables	3,544,927	47,772	-
Due from other funds	-	879,654	7,033,828
Prepaid insurance	-	-	93,226
TOTAL ASSETS	\$ 3,544,927	\$ 2,157,566	\$ 6,985,253
<u>LIABILITIES AND NET ASSETS</u>			
Liabilities:			
Accounts payable	\$ (4,187)	\$ 1,049,658	\$ 79,529
Wages payable	-	-	-
Due to other funds	3,506,220	-	-
Liability claims payable/self insured losses	42,894	1,229,141	6,674,643
TOTAL LIABILITIES	3,544,927	2,278,799	6,754,172
Net Assets(Deficit) - unrestricted	-	(121,233)	231,081
TOTAL LIABILITIES AND NET ASSETS	\$ 3,544,927	\$ 2,157,566	\$ 6,985,253

Other Insurance	Print Shop	Total Internal Service Funds
\$ -	\$ -	\$ 1,088,339
-	76,718	3,669,417
54,062,378	558,344	62,534,204
1,922,935	-	2,016,161
<u>\$ 55,985,313</u>	<u>\$ 635,062</u>	<u>\$ 69,308,121</u>
\$ 9,411	\$ 251,944	\$ 1,386,355
8,524	20,388	28,912
58,684,776	362,730	62,553,726
(2,723,076)	-	5,223,602
<u>55,979,635</u>	<u>635,062</u>	<u>69,192,595</u>
<u>5,678</u>	<u>-</u>	<u>115,526</u>
<u>\$ 55,985,313</u>	<u>\$ 635,062</u>	<u>\$ 69,308,121</u>

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
PROPRIETARY FUND TYPE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2004

	Health Insurance	Life, Dental and Optical Insurance	Workers' Compensation Insurance
<u>OPERATING REVENUES</u>			
Employer contributions	\$ 27,859,471	\$ 1,346,122	\$ 3,816,647
Employee contributions	11,531,132	911,672	-
Other miscellaneous revenue	-	-	287
TOTAL OPERATING REVENUE	39,390,603	2,257,794	3,816,934
<u>OPERATING EXPENSES</u>			
Premium payments	41,080,131	-	-
Other expenses	-	2,257,794	3,947,226
TOTAL OPERATING EXPENSES	41,080,131	2,257,794	3,947,226
NET OPERATING INCOME (LOSS)	(1,689,528)	-	(130,292)
INCOME (LOSS) BEFORE TRANSFERS	(1,689,528)	-	(130,292)
Transfers out	-	-	(1,083,115)
Transfers in	1,689,528	-	1,334,639
CHANGE IN NET ASSETS	-	-	121,232
NET ASSETS at JUNE 30, 2003	-	(121,233)	109,849
NET ASSETS at JUNE 30, 2004	\$ -	\$ (121,233)	\$ 231,081

Other Insurance	Print Shop	Total Internal Service Funds
\$ 3,865,128	\$ 1,848,485	\$ 38,735,853
-	-	12,442,804
448,959	-	449,246
<u>4,314,087</u>	<u>1,848,485</u>	<u>51,627,903</u>
1,328,129	-	42,408,260
<u>2,548,059</u>	<u>1,485,755</u>	<u>10,238,834</u>
3,876,188	1,485,755	52,647,094
<u>437,899</u>	<u>362,730</u>	<u>(1,019,191)</u>
437,899	362,730	(1,019,191)
(434,807)	(362,730)	(1,880,652)
<u>-</u>	<u>-</u>	<u>3,024,167</u>
3,092	-	124,324
<u>2,586</u>	<u>-</u>	<u>(8,798)</u>
<u>\$ 5,678</u>	<u>\$ -</u>	<u>\$ 115,526</u>

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
PROPRIETARY FUND TYPE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2004

	<u>Health Insurance</u>	<u>Life, Dental and Optical Insurance</u>	<u>Workers' Compensation Insurance</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash premiums received	\$ 39,433,493	\$ 1,641,694	\$ 4,820,458
Cash paid in claims and benefits	(41,123,021)	(1,028,654)	(5,269,866)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(1,689,528)</u>	<u>613,040</u>	<u>(449,408)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Interfund transfers and advances	1,689,528	-	251,524
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>1,689,528</u>	<u>-</u>	<u>251,524</u>
 NET INCREASE IN CASH	 -	 613,040	 (197,884)
CASH AT BEGINNING OF YEAR	<u>-</u>	<u>617,100</u>	<u>56,083</u>
CASH AT END OF YEAR	<u>\$ -</u>	<u>\$ 1,230,140</u>	<u>\$ (141,801)</u>
 Reconciliation of operating income (loss) to net cash provided used by (used in) operating activities			
Operating income (loss)	\$ (1,689,528)	\$ -	\$ (130,292)
Adjustments to reconcile operating income (loss) to net cash provided by/(used in) operating activities:			
Changes in:			
Other receivables	(2,092,714)	(47,772)	-
Due from other funds	34,973,803	4,537,952	5,951,291
Prepaid insurance	-	-	(18,289)
Accounts payable	(4,254)	1,008,544	60,815
Wages payable	-	-	-
Due to other funds	(32,833,934)	(6,114,824)	(4,990,293)
Claims payable/self-insured losses payable	(42,901)	1,229,140	(1,322,640)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	<u>\$ (1,689,528)</u>	<u>\$ 613,040</u>	<u>\$ (449,408)</u>

Other Insurance	Print Shop	Total Internal Service Funds
\$ 7,034,071	\$ 1,604,568	\$ 54,534,284
(6,599,264)	(1,241,838)	(55,262,643)
434,807	362,730	(728,359)
(434,807)	(362,730)	1,143,515
(434,807)	(362,730)	1,143,515
-	-	415,156
-	-	673,183
\$ -	\$ -	\$ 1,088,339
\$ 437,899	\$ 362,730	\$ (1,019,191)
-	(76,718)	(2,217,204)
(45,801,393)	4,860	(333,487)
647,971	-	629,682
(89,358)	243,917	1,219,664
(2,052)	2,311	259
47,964,816	(174,370)	3,851,395
(2,723,076)	-	(2,859,477)
\$ 434,807	\$ 362,730	\$ (728,359)

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the School Board in a trust or agency capacity.

Trust Funds financial data is reported on pages 14 and 15.

Agency Funds - This group of funds is maintained to account for cash held by the School Board as an agent. The School Board maintains the following Agency Funds:

- Twelve-month Payroll Payment Plan Escrow Fund
- Student Activity Funds
- Other Funds

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ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2004

	Payroll Withholding	Student Activity	Other	Agency Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,032,423	\$ 4,979,172	\$ 82,075	\$ 8,093,670
Other receivable	-	28,692	-	28,692
Due from other funds	33,604,124	-	20,100	33,624,224
TOTAL ASSETS	<u>\$ 36,636,547</u>	<u>\$ 5,007,864</u>	<u>\$ 102,175</u>	<u>\$ 41,746,586</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 7,094,915	\$ 299,439	\$ -	\$ 7,394,354
Due to other funds	29,541,632	-	76,204	29,617,836
Due to student groups	-	4,708,425	25,971	4,734,396
TOTAL LIABILITIES	<u>\$ 36,636,547</u>	<u>\$ 5,007,864</u>	<u>\$ 102,175</u>	<u>\$ 41,746,586</u>

ORLEANS PARISH SCHOOL BOARD

New Orleans, Louisiana

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<u>PAYROLL WITHHOLDING</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 18,693	\$ 6,046,153	\$ 3,032,423	\$ 3,032,423
Investments	-	44,483	44,483	-
Due from other funds	11,560,795	26,705,368	4,662,039	33,604,124
TOTAL ASSETS	\$ 11,579,488	\$ 32,796,004	\$ 7,738,945	\$ 36,636,547
<u>LIABILITIES</u>				
Accounts payable	\$ 7,202,849	\$ 52,858,549	\$ 52,966,483	\$ 7,094,915
Due to other funds	4,376,639	27,551,013	2,386,020	29,541,632
TOTAL LIABILITIES	\$ 11,579,488	\$ 80,409,562	\$ 55,352,503	\$ 36,636,547
<u>STUDENT ACTIVITY</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 5,237,382	\$ 12,142,198	\$ 12,400,408	\$ 4,979,172
Receivables	22,125	28,692	22,125	28,692
TOTAL ASSETS	\$ 5,259,507	\$ 12,170,890	\$ 12,422,533	\$ 5,007,864
<u>LIABILITIES</u>				
Accounts payable	\$ 317,131	\$ 299,439	\$ 317,131	\$ 299,439
Due to student groups	4,942,376	11,871,451	12,105,402	4,708,425
TOTAL LIABILITIES	\$ 5,259,507	\$ 12,170,890	\$ 12,422,533	\$ 5,007,864

(continued)

ORLEANS PARISH SCHOOL BOARD**New Orleans, Louisiana****AGENCY FUNDS****COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - continued****FISCAL YEAR ENDED JUNE 30, 2004**

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<u>OTHER</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 81,148	\$ 1,020	\$ 93	\$ 82,075
Due from other funds	14,350	20,100	14,350	20,100
TOTAL ASSETS	<u>\$ 95,498</u>	<u>\$ 21,120</u>	<u>\$ 14,443</u>	<u>\$ 102,175</u>
<u>LIABILITIES</u>				
Due to other funds	\$ 53,873	\$ 136,506	\$ 114,175	\$ 76,204
Due to student groups	41,625	230,870	246,524	25,971
TOTAL LIABILITIES	<u>\$ 95,498</u>	<u>\$ 367,376</u>	<u>\$ 360,699</u>	<u>\$ 102,175</u>
<u>TOTAL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 5,337,223	\$ 18,189,371	\$ 15,432,924	\$ 8,093,670
Investments	-	44,483	44,483	-
Other receivables	22,125	28,692	22,125	28,692
Due from other funds	11,575,145	26,725,468	4,676,389	33,624,224
TOTAL ASSETS	<u>\$ 16,934,493</u>	<u>\$ 44,988,014</u>	<u>\$ 20,175,921</u>	<u>\$ 41,746,586</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 7,519,980	\$ 53,157,988	\$ 53,283,614	\$ 7,394,354
Due to other funds	4,430,512	27,687,519	2,500,195	29,617,836
Due to student groups	4,984,001	12,102,321	12,351,926	4,734,396
TOTAL LIABILITIES	<u>\$ 16,934,493</u>	<u>\$ 92,947,828</u>	<u>\$ 68,135,735</u>	<u>\$ 41,746,586</u>

(concluded)

Capital Assets Used in the Operation of Governmental Funds

General Capital assets are recorded generally at historical cost. Among the assets included in this category are land, buildings and improvements, instructional and office equipment, vehicles and construction projects-in-progress.

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ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
SCHEDULE OF CAPITAL ASSETS (AT COST) - BY SOURCES
June 30, 2004

Capital assets:

Land	\$ 29,540,926
Buildings and improvements	474,247,849
Furniture and equipment	43,275,913
Vehicles	13,246,078
Construction in progress	19,086,204

TOTAL CAPITAL ASSETS (AT COST)	\$ 579,396,970
--------------------------------	----------------

Capital assets from:

From General and Capital Projects Funds	\$ 561,480,858
From Special Education Funds	571,174
From IASA/NCLB Funds	3,973,352
From Vocational Education Funds	1,204,103
From Child Nutrition Fund	11,869,379
From Other Funds	298,104

TOTAL ASSETS (AT COST) BY SOURCE	\$ 579,396,970
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ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
SCHEDULE OF CAPITAL ASSETS - BY FUNCTION
JUNE 30, 2004

Function	Construction in Progress	Land	Buildings and Improvements	Furniture and Fixtures	Total
Administrative	\$ -	\$ 7,830,656	\$ 16,725,799	\$ 23,352,199	\$ 47,908,654
Instructional	-	21,655,770	457,275,050	19,724,330	498,655,150
Transportation	-	54,500	247,000	13,445,462	13,746,962
Construction in progress	19,086,204	-	-	-	19,086,204
TOTAL	\$ 19,086,204	\$ 29,540,926	\$ 474,247,849	\$ 56,521,991	\$ 579,396,970

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION
JUNE 30, 2004

Function	Capital Assets June 30, 2003	Additions	Adjustments and Deductions	Capital Assets June 30, 2004
Student Services	\$ 1,208,649	\$ 3,570,147	\$ (1,039,917)	\$ 3,738,879
Instructional staff support	460,540,705	40,124,919	-	\$ 500,665,624
Business and central services	41,720,872	124,032	-	\$ 41,844,904
Plant services	314,397	-	-	\$ 314,397
Student transportation services	13,746,962	-	-	\$ 13,746,962
Construction in progress	45,085,405	9,659,935	(35,659,136)	\$ 19,086,204
TOTAL	\$ 562,616,990	\$ 53,479,033	\$ (36,699,053)	\$ 579,396,970

Statistical Section



CAFR

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana

Schedule 1

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
GOVERNMENT-WIDE EXPENSES BY FUNCTION
FOR THREE YEARS ENDED JUNE 30, 2004

	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>Governmental activities:</u>			
Instruction:			
Regular programs	\$ 186,935,553	\$ 190,254,107	\$ 204,761,527
Special programs	62,667,390	62,818,491	58,065,496
Other instructional programs	68,859,429	49,708,406	51,977,684
Support services:			
Student services	33,015,546	26,846,427	24,348,821
Instructional staff support	17,740,494	20,750,328	17,688,723
General administration	10,366,736	22,987,988	18,507,009
School administration	24,388,025	29,615,226	24,388,367
Business services	13,809,390	5,598,423	6,970,630
Student transportation services	19,877,643	18,865,451	18,597,073
Central services	17,275,548	15,628,027	24,951,613
Plant services	48,864,437	54,923,644	55,011,213
Other	1,231,594	2,233,263	-
Food services	25,798,122	26,185,673	28,291,988
Interest on long-term debt	17,866,166	19,170,811	22,623,387
 Total governmental activities	 \$ 548,696,073	 \$ 545,586,265	 \$ 556,183,531

Note: The above information is available only for the three years shown.

Schedule 2

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana
GOVERNMENT-WIDE REVENUES
FOR THREE YEARS ENDED JUNE 30, 2004

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Program revenues:			
Charges for services	\$ 586,241	\$ 3,699,183	\$ 872,220
Operating grants and contributions	108,269,515	96,012,156	97,770,425
General revenues:			
Taxes	196,146,788	182,637,959	178,540,984
State revenue sharing	3,321,844	3,421,379	3,429,618
Grants and contributions not restricted to specific programs	216,754,244	222,136,214	220,735,486
Interest and investment earnings	794,523	1,268,175	2,095,566
Miscellaneous	14,637,337	10,856,847	36,908,470
Total governmental activities	<u>\$ 540,510,492</u>	<u>\$ 520,031,913</u>	<u>\$ 540,352,769</u>

Note: The above information is available only for the three years shown.

ORLEANS PARISH SCHOOL BOARD

General Fund Revenues by Source

Last Ten Fiscal Years

(Unaudited)

	2003-04	2002-03	2001-02	2000-01
Revenues from local sources:				
Real property tax	\$ 52,138,701	\$ 41,690,578	\$ 65,120,026	\$ 37,182,022
Personal property tax	32,869,858	28,064,588	18,135,208	28,331,268
Real and personal property tax (prior)	2,198,632	2,445,663	5,327,550	4,275,797
Delinquent tax penalty	695,024	778,498	1,587,007	567,179
Total property tax	87,902,215	72,979,327	90,169,791	70,356,266
Sales taxes	93,252,993	91,644,128	88,371,193	90,929,086
Interest on investments	474,666	630,567	505,106	5,705,115
All other	12,945,415	8,220,800	4,477,697	6,404,367
Total revenues from local sources	194,575,289	173,474,822	183,523,787	173,394,834
Revenues from state sources :				
Minimum Foundation Program	215,873,444	221,255,414	219,854,782	218,086,033
Revenue sharing	3,321,844	3,421,379	3,429,618	3,358,797
All other	3,276,891	4,205,012	5,535,303	4,679,977
Total revenues from state sources	222,472,179	228,881,805	228,819,703	226,124,807
Revenues from federal sources :				
Public Law 874 - Impact Aid	553,826	322,886	287,465	433,138
All other	1,662,934	733,889	705,543	556,123
Total revenues from federal sources	2,216,760	1,056,775	993,008	989,261
Total revenues	\$ 419,264,228	\$ 403,413,402	\$ 413,336,498	\$ 400,508,902

Table 3

1999-00	1997-98	1996-97	1995-96	1994-95	1993-94
\$ 37,145,568	\$ 33,673,501	\$ 32,329,663	\$ 30,812,692	\$ 32,381,842	\$ 31,414,663
27,165,254	23,607,936	20,416,977	18,567,518	18,799,201	17,387,299
5,161,837	5,320,348	4,488,269	3,959,328	5,728,570	4,648,502
555,636	903,918	854,752	704,476	889,942	1,020,353
70,028,295	63,505,703	58,089,661	54,044,014	57,799,555	54,470,817
87,901,598	81,963,623	74,119,248	74,050,117	68,287,273	66,389,014
2,252,619	2,590,479	1,991,358	720,485	1,081,417	673,278
6,464,017	3,403,383	2,795,112	2,761,474	3,241,307	2,949,048
166,646,529	151,463,188	136,995,379	131,576,090	130,409,552	124,482,157
222,108,667	208,584,049	195,953,625	190,941,850	183,636,614	178,984,428
3,446,497	3,551,759	3,602,755	3,660,036	3,532,425	3,521,208
4,039,103	5,862,441	5,527,492	5,430,687	12,218,737	6,033,834
229,594,267	217,998,249	205,083,872	200,032,573	199,387,776	188,539,470
1,411,610	1,072,215	502,202	1,798,228	1,971,759	2,319,717
997,082	1,944,914	2,061,619	1,783,533	1,574,441	1,515,176
2,408,692	3,017,129	2,563,821	3,581,761	3,546,200	3,834,893
\$ 398,649,488	\$ 372,478,566	\$ 344,643,072	\$ 335,190,424	\$ 333,343,528	\$ 316,856,520

ORLEANS PARISH SCHOOL BOARD

General Fund Expenditures by Function

Last Ten Fiscal Years

(Unaudited)

	2003-04	2002-03	2001-02	2000-01
Instructional :				
Regular	\$ 164,822,376	\$ 166,360,842	\$ 180,145,279	\$ 183,466,272
Special	53,460,499	52,522,261	53,170,305	54,123,729
Other instructional programs	5,085,898	4,884,913	3,187,129	1,756,491
Support Services :				
Pupil	32,144,739	25,462,287	23,080,876	19,103,994
Instructional Staff	12,742,945	12,297,344	12,781,215	11,091,657
General administration	9,909,996	6,734,137	2,411,736	4,911,423
School administration	22,700,785	21,886,416	24,304,930	20,668,888
Business administration :				
Business services	13,372,082	5,144,277	6,971,371	4,299,055
Maintenance of plant	47,811,446	54,593,365	50,189,705	42,615,493
Pupil transportation	17,927,731	17,544,713	17,740,299	18,512,315
Central services	16,778,330	15,021,260	24,944,125	23,447,465
Food services	150,104	68,324	45,181	6,014
Capital Outlay	515,854	588,018	558,059	658,350
Other	14,180	272,177	-	-
Debt Service	716,876	930,883	-	-
Total	<u>\$ 398,153,841</u>	<u>\$ 384,311,217</u>	<u>\$ 399,530,210</u>	<u>\$ 384,661,146</u>

Table 4

1999-00	1998-99	1997-98	1996-97	1995-96	1994-95
\$ 181,033,851	\$ 132,206,726	\$ 126,336,224	\$ 122,215,506	\$ 117,023,613	\$ 117,090,081
52,036,348	42,425,308	40,887,202	38,082,940	37,285,793	38,888,485
3,791,572	-	-	-	-	-
19,822,572	25,716,086	23,835,058	22,251,603	20,861,965	22,744,860
9,310,240	7,658,787	7,248,140	7,334,580	6,999,901	7,195,512
5,291,808	6,577,085	6,183,756	4,570,295	3,684,264	3,165,404
20,724,547	17,172,879	16,268,629	15,737,167	15,695,557	15,849,698
4,756,515	64,602,795	64,140,095	61,522,286	58,732,817	58,970,773
39,582,554	36,932,338	31,496,548	29,230,345	28,686,802	27,401,521
16,803,935	14,738,484	13,805,154	14,229,679	14,194,036	13,729,887
24,172,164	15,036,356	11,690,184	6,569,350	6,220,103	6,635,546
3,667	-	-	-	-	-
539,191	-	-	-	-	-
-	-	-	-	-	-
-	1,236,414	1,084,106	1,442,244	1,546,083	1,734,728
<u>\$ 377,868,964</u>	<u>\$ 364,303,258</u>	<u>\$ 342,975,096</u>	<u>\$ 323,185,995</u>	<u>\$ 310,930,934</u>	<u>\$ 313,406,495</u>

ORLEANS PARISH SCHOOL BOARD

Property Tax Levies and Collections - Cash Basis

School Board's Portion

Last Ten Calendar Years

(Unaudited)

Calendar Year	Real Estate Tax			Personal Property Tax		
	Amount of Tax Levied	Amount of Tax Collected	%	Amount of Tax Levied	Amount of Tax Collected	%
2004	\$ 79,273,171	\$ 62,772,925	79.19	\$ 24,593,280	\$ 23,795,751	96.76
2003	63,988,312	55,523,177	86.77	35,107,161	29,323,526	83.53
2002	63,523,697	54,312,761	85.50	33,684,465	27,217,047	80.80
2001	61,385,527	57,351,456	93.43	35,077,754	28,331,268	80.77
2000	59,410,811	42,863,041	72.15	33,108,343	27,165,254	82.05
1999	49,280,192	40,782,937	82.76	31,489,300	25,146,940	79.86
1998	45,715,396	39,897,767	87.27	28,813,029	23,607,936	81.93
1997	41,639,085	37,672,684	90.47	25,400,878	20,416,977	80.38
1996	40,050,539	34,507,869	86.16	25,414,662	18,573,647	73.08
1995	37,329,127	33,176,476	88.88	24,329,203	18,847,965	77.47

Sources: Board of Assessors, City of New Orleans, and Orleans Parish School Board financial records.

Table 5

Amount of Tax Levied	Total	%
	Amount of Tax Collected	
103,866,451	86,568,676	83.35
99,095,474	84,846,703	85.62
97,208,161	81,529,808	83.87
96,463,281	85,682,724	88.82
92,519,154	70,028,295	75.69
80,769,492	65,929,877	81.63
74,528,425	63,505,703	85.21
67,039,963	58,089,661	86.65
65,465,201	53,081,516	81.08
61,658,330	52,024,441	84.38

Table 6

ORLEANS PARISH SCHOOL BOARD

Assessed and Estimated Market Value of Taxable Property

Last Ten Calendar Years

(Unaudited)

Calendar Year	*Net Assessed Value		* Total Net Assessed Value	Total Estimated Market Value	Ratio of Total Net Assessed to Total Estimated Market Value
	Real Estate	Personal Property			
2004	\$ 1,501,385,822	\$ 465,781,821	\$ 1,967,167,643	\$ 15,778,651,568	12.5
2003	1,211,211,666	664,530,783	1,875,742,449	14,654,237,883	12.8
2002	1,205,383,237	593,069,645	1,798,452,882	14,050,413,141	12.8
2001	1,164,810,760	619,507,775	1,784,318,535	13,939,988,555	12.8
2000	1,166,198,363	580,037,884	1,746,236,247	13,749,891,709	12.7
1999	964,387,310	566,418,363	1,530,805,673	12,053,587,976	12.7
1998	939,168,558	534,355,772	1,473,524,330	11,571,542,010	12.7
1997	900,113,718	538,240,913	1,438,354,631	12,613,995,420	11.4
1996	885,533,225	535,898,822	1,421,432,047	12,427,991,063	11.4
1995	824,697,530	477,374,987	1,302,072,517	11,429,475,213	11.4
1994	825,668,157	454,681,962	1,280,350,119	11,287,894,650	11.3

Source : Louisiana Tax Commission Report, Board of Assessors, Orleans Parish

(*) Excludes Homestead Exemptions and public service rolls

Table 7

ORLEANS PARISH SCHOOL BOARD

Property Tax Rates - Direct and Overlapping Governments

**Number of Mills
(per \$1,000 of assessed value)**

Last Ten Fiscal Years

(Unaudited)

<u>Calendar Year</u>	<u>City of New Orleans</u>	<u>Orleans Levee Board</u>	<u>Orleans Sewerage & Water Board</u>	<u>Orleans Parish School Board</u>	<u>Audubon Commission</u>	<u>Total</u>
2004	78.59	12.76	22.59	52.80	4.55	171.29
2003	77.09	12.01	22.59	52.70	4.55	168.94
2002	77.09	12.01	22.59	52.98	4.55	169.22
2001	77.09	12.01	22.59	53.05	4.55	169.29
2000	77.09	12.01	22.59	52.70	4.55	168.94
1999	77.09	12.01	22.59	52.70	4.55	168.94
1998	77.09	12.01	22.59	51.10	4.55	167.34
1997	77.09	12.01	22.59	48.80	4.55	165.04
1996	77.09	12.01	22.59	45.40	4.55	161.64
1995	77.09	12.01	22.59	45.10	4.55	161.34

Source: City of New Orleans

Table 8

ORLEANS PARISH SCHOOL BOARD

Principal Taxpayers

December 31, 2003

(Unaudited, Amounts in Thousands)

Name of Taxpayer	Type of Business	2003 Assessed Value	Percentage of Total Assessed Value
BellSouth Telecommunications	Telephone Utilities	\$ 60,995	3.37%
Entergy Services	Electric and Gas Utilities	75,366	4.17%
Banc One	Financial Institution	32,624	1.32%
Hibernia National Bank	Financial Institution	42,611	2.36%
Whitney National Bank	Financial Institution	24,146	1.80%
Marriott Hotel Properties	Hospitality	13,727	0.79%
International River Center	Real Estate	14,241	0.76%
Harrah's Entertainment	Hospitality and Gaming	23,945	1.34%
C&M Association	Real Estate	11,463	0.63%
Tenet	Managed Care	18,319	1.01%
Total Assessed Value of Principal Taxpayers		<u>\$ 317,437</u>	<u>17.55%</u>

Source : Board of Assessors, Orleans Parish and City of New Orleans

Table 9

ORLEANS PARISH SCHOOL BOARD

**State Support and
Local Support Per Student
Number of Mills
Last Ten Fiscal Years**

(Unaudited)

<u>Fiscal Year</u>	<u>Number of Students</u>	<u>State Support</u>	<u>State Support per Student</u>	<u>Total Student Expenditures (1) (2)</u>	<u>Total Cost per Student</u>	<u>Local Support per Student</u>
2004	65,589	\$ 215,873,444	3,291	\$ 484,514,648	\$ 7,387	\$ 4,096
2003	68,088	221,255,414	3,250	440,841,946	6,475	3,225
2002	71,818	219,854,782	3,061	478,889,167	6,668	3,607
2001	71,247	218,966,737	3,073	433,362,572	6,083	3,010
2000	77,895	229,594,267	2,947	439,880,874	5,647	2,700
1999	79,953	227,366,274	2,844	418,062,706	5,229	1,902
1998	81,242	217,998,249	2,683	393,132,053	4,839	1,865
1997	81,943	205,083,872	2,503	366,676,844	4,475	1,672
1996	82,285	200,032,573	2,431	350,992,385	4,266	1,599
1995	82,520	199,387,776	2,416	352,707,365	4,274	1,580

(1) For comparability, bond debt service expenditures have been excluded.

(2) General Fund and Special Revenue Funds expenditures, except for Child Nutrition, have been included in total student expenditures.

Note: Referenced student enrollment is the number of students eligible for funding in the Minimum Foundation Program (MFP).

Table 10

ORLEANS PARISH SCHOOL BOARD

Computation of Legal Debt Margin

June 30, 2004

(Unaudited)

Total assessed value		<u>\$ 2,604,609,957</u>
Debt limit : 35% of assessed value (1)		911,613,485
Amount of general obligation bonded debt applicable to legal debt limit of Parishwide School District of Parish of Orleans	\$ 158,120,000	
Less amount available in the Debt Service Fund	<u>26,929,712</u>	
		<u>131,190,288</u>
Legal debt margin		<u>\$ 780,423,197</u>

(1) Source: Louisiana Revised Statutes Title 39, Section 562, as amended.

Table 11

ORLEANS PARISH SCHOOL BOARD

Schedule of Direct and Overlapping Debt

December 31, 2003

(Unaudited)

	<u>Outstanding Debt</u>	<u>Percentage Overlapping</u>	<u>Overlapping Debt</u>
Orleans Parish School Board at June 30, 2004 (*)	\$ 279,550,568	100%	\$279,550,568
Overlapping debt :			
City of New Orleans - general obligation bonds	650,761	100%	650,761
Audubon Commission	54,149	100%	54,149
Sewerage & Water Board of New Orleans	367,215	100%	367,215
Orleans Levee District at June 30, 2003 (*)	78,318	100%	78,318
Total overlapping debt	1,150,443	100%	1,150,443
Total direct and overlapping debt	\$280,701,011	100%	\$280,701,011

Source : City of New Orleans and Orleans Levee District

(*) The fiscal year of the Orleans Parish School Board and Orleans Levee District ends on June 30th .

ORLEANS PARISH SCHOOL BOARD

**Ratio of Net General Bonded Debt
to Assessed Value and Net Bonded Debt Per Capita**

Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Number of Students</u>	<u>Net Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less: Debt Service Funds</u>
2004 (1)	469,032	65,589	\$ 1,967,167,643	\$ 279,550,568	\$ 26,382,263
2003 (1)	476,492	68,088	1,875,742,449	296,908,366	26,059,133
2002	476,492	71,818	1,798,452,882	324,898,434	27,729,577
2001	484,674	71,247	1,784,318,535	337,376,749	28,757,597
2000	496,938	77,895	1,746,236,247	359,078,682	26,271,596
1999	496,938	79,953	1,530,805,673	359,078,682	18,444,974
1998	496,938	81,242	1,473,524,330	365,475,518	16,668,828
1997	480,260	81,943	1,438,354,631	298,996,591	15,601,988
1996	496,938	82,285	1,421,432,047	265,982,765	11,605,815
1995	496,938	82,520	1,353,023,221	177,822,203	3,980,591

Sources : Board of Assessors, Orleans Parish, City of New Orleans and Woods & Poole Economics, Inc.

Note: Referenced student enrollment is the number of students eligible for funding in the Minimum Foundation Program (MFP).

(1) Excludes Energy Retrofit which in 2003 was reclassified as a capital lease.

Table 12

Net Bonded Debt		Ratio of Net Bonded Debt to Net Assessed Value	Net Bonded Debt per Capita	Net Bonded Debt per Student
\$	253,168,305	12.87%	\$ 540	\$ 3,860
	270,849,233	14.44%	568	3,978
	297,168,857	16.52%	624	4,138
	308,619,152	17.30%	637	4,332
	332,807,086	19.06%	670	4,273
	340,633,708	22.25%	685	4,260
	348,806,690	23.67%	702	4,293
	283,394,603	19.70%	590	3,458
	254,376,950	17.90%	512	3,091
	173,841,612	12.85%	350	2,107

ORLEANS PARISH SCHOOL BOARD

**Ratio of Annual Debt Service
Expenditures for General Bonded Debt to
General Fund Expenditures and Revenues**

Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>
2004	16,520,000	15,091,205	\$ 31,611,205	\$ 396,690,670
2003	14,480,000	16,242,951	30,722,951	384,311,217
2002	14,160,000	17,619,951	31,779,951	399,530,210
2001	15,260,435	18,855,613	34,116,048	384,661,146
2000	12,458,644	19,376,351	31,834,995	379,119,316
1999	8,668,645	19,204,097	27,872,742	364,303,258
1998	6,699,566	16,562,675	23,262,241	342,975,096
1997	4,029,566	14,525,403	18,554,969	323,185,995
1996	3,090,000	7,800,085	10,890,085	310,930,934
1995	2,655,000	8,850,410	11,505,410	313,406,495

Table 13

<u>Ratio of Debt Service To General Fund Expenditures</u>	<u>Total General Fund Revenues</u>	<u>Ratio of Debt Service To General Fund Revenues</u>
7.97%	419,848,939	7.53%
7.99%	403,413,402	7.62%
7.95%	413,336,498	7.69%
8.42%	400,508,902	8.52%
7.65%	414,257,603	7.68%
6.79%	380,697,599	7.32%
5.74%	373,527,836	6.23%
3.50%	345,652,279	5.37%
3.67%	336,030,368	3.24%
3.62%	334,305,833	3.44%

Table 14

ORLEANS PARISH SCHOOL BOARD

Demographic Statistics

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Population	Total Students	Public Schools		Non-Public Schools	
			Number	%	Number	%
2004	469,032	90,862	65,589	72.19	25,273	27.81
2003	476,492	93,508	71,262	76.21	22,246	23.79
2002	484,674	97,375	71,818	73.75	25,557	26.25
2001	496,938	96,776	71,247	73.62	25,529	26.38
2000	496,938	102,924	77,895	75.68	25,029	24.32
1999	496,938	104,577	79,953	76.45	24,624	23.55
1998	480,260	103,356	81,242	78.60	22,114	21.40
1997	496,938	106,377	81,943	77.03	24,434	22.97
1996	496,938	109,099	82,285	75.42	26,814	24.58
1995	493,021	108,691	82,520	75.92	26,171	24.08

Table 15

ORLEANS PARISH SCHOOL BOARD

Bonded Debt

Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year</u>	<u>Bonded Debt</u>
2004	279,550,568
2003	296,908,366
2002	324,898,434
2001	337,376,749
2000	356,364,815
1999	359,078,682
1998	365,475,518
1997	298,996,591
1996	265,982,765
1995	177,822,203

Table 16

ORLEANS PARISH SCHOOL BOARD

New Construction, Bank Deposits, and Property Values

Last Ten Calendar Years

(Unaudited)

Calendar Year	New Commercial Construction (1)		New Residential Construction (1)		Bank Deposits (2) (in thousands)	Estimated Market Value of Property Values (3)
	Number of Units	Value	Number of Units	Value		
2003	892	\$ 202,557,000	2902	\$ 153,649,000	\$ 9,416,000	\$ 15,778,651,568
2002	767	248,333,000	2371	133,259,000	8,256,000	14,654,237,883
2001	149	116,896,857	428	66,067,710	7,859,000	13,999,988,555
2000	148	116,896,857	641	67,958,139	7,984,473	13,749,811,709
1999	213	118,240,175	403	84,585,066	7,540,778	12,053,587,976
1998	127	215,500,000	346	43,783,000	7,965,886	11,571,542,010
1997	121	103,647,363	390	37,712,868	7,642,589	12,613,995,420
1996	139	76,801,363	699	53,524,815	7,011,280	12,427,991,063
1995	385	160,185,622	295	47,756,865	6,267,311	11,429,475,213
1994	349	62,145,507	200	32,367,696	6,008,343	11,287,894,650

Sources :

- (1) Department of Safety and Permits, City of New Orleans
- (2) Summary of Deposits (as of June 30) - bank branches located in New Orleans,
FDIC Website: www.fdic.gov/summaryofdeposits
- (3) Board of Assessors, Orleans Parish

Table 17

ORLEANS PARISH SCHOOL BOARD

Summary of Compensation Paid to School Board Members

Fiscal year ended June 30, 2004

(Unaudited)

<u>Board Members</u>	<u>Salary</u>	<u>Travel</u>	<u>Total</u>
Mrs. Una B. Anderson	\$9,600	\$0	\$9,600
Mrs. Ellenese Brooks-Simms	10,300	0	10,300
Mrs. Carolyn G. Ford	9,600	0	9,600
Mrs. Gail M. Glapion	9,600	932	10,532
Dr. Cheryl E. Mills	10,100	1,638	11,738
Mr. Jim Fahrenholtz	9,600	4,293	13,893
Dr. Elliot C. Willard	<u>9,600</u>	<u>160</u>	<u>9,760</u>
TOTAL	<u>\$68,400</u>	<u>\$7,023</u>	<u>\$75,423</u>

Note: Travel represents reimbursement for expenses of attending conventions.

ORLEANS PARISH SCHOOL BOARD

Child Nutrition Program

School Lunch and Breakfast Data

(Unaudited)

	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
LUNCH - STUDENT PARTICIPATION					
Number of Schools Served	117	120	121	119	120
Number of Days Served	176	176	180	177	177
Free Lunches					
Number Served	8,410,293	8,394,649	7,238,885	6,426,144	6,513,632
Average Number Served	47,786	47,697	41,130	36,306	36,800
Reduced Lunches					
Number Served	326,429	370,485	356,730	315,101	243,097
Average Number Served	1,855	2,105	2,025	1,780	1,373
Full Price Lunches					
Number Served	608,036	757,027	632,531	602,037	544,791
Average Number Served	3,455	4,301	3,594	3,401	3,078
Total Served	9,344,758	9,522,161	8,227,786	7,343,282	7,301,520
Average Number Served	53,095	54,103	46,749	41,487	41,252
Average Daily Attendance	72,033	72,008	66,796	50,911	56,766
Number Served as Percentage of Daily Attendance	73.71	75.00	69.99	81.49	72.67
Price per Lunch to Students					
Full Price - Elementary	0.65	0.65	0.65	0.65	0.65
Full Price - Secondary	0.75	0.75	0.75	0.75	0.75
Reduced Price - Elementary	0.25	0.25	0.25	0.25	0.25
Reduced Price - Secondary	0.25	0.25	0.25	0.25	0.25
Lunch - Adult Participation					
Number Served to Adults	244,980	237,721	226,934	195,561	195,166
Average Number Served	1,392	1,351	1,289	1,111	1,103
Price per Lunch to Adults	2.25	2.00	2.00	2.25	2.25

Note: Does not include meals served for extended school year summer program.

Table 18

	1999-00	2000-01	2001-02	2002-03	200-04
BREAKFAST - STUDENT PARTICIPATION					
Number of Schools Served	117	120	121	119	120
Number of Days Served	176	176	180	177	177
Free Breakfasts					
Number Served	3,766,755	3,273,017	3,376,424	2,770,846	2,877,287
Average Number Served	21,402	18,597	19,184	15,655	16,256
Reduced Price Breakfasts					
Number Served	54,374	54,604	61,952	70,743	55,160
Average Number Served	309	310	352	400	312
Full Price Breakfasts					
Number Served	56,516	61,097	67,708	84,557	71,482
Average Number Served	321	347	385	480	404
Total Served	3,877,645	3,388,718	3,506,084	2,926,146	3,003,929
Average Number Served	22,032	19,254	19,921	16,626	16,971
Average Daily Attendance	72,033	72,008	66,796	50,911	56,766
Number Served as Percentage of Daily Attendance	30.59	27.00	29.82	32.66	29.90
Price per Breakfast to Students					
Full Price - Elementary	0.50	0.50	0.50	0.50	0.50
Full Price - Secondary	0.50	0.50	0.50	0.50	0.50
Reduced Price - Elementary	0.20	0.20	0.20	0.20	0.20
Reduced Price - Secondary	0.20	0.20	0.20	0.20	0.20
Breakfast - Adult Participation					
Number Served to Adults	127,569	125,177	121,313	111,763	110,628
Average Number Served	725	711	689	631	625
Price per Breakfast to Adults	1.25	1.00	1.00	1.00	1.25

Table 19

ORLEANS PARISH SCHOOL BOARD

**Teachers' Retirement System of Louisiana
Analysis of Funding Progress**

**Last Ten Years
(IN MILLIONS OF DOLLARS)**

(Unaudited)

Fiscal Year	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) / (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) / (5)
2004	\$ 11,893.4	\$ 13,713.2	86.7%	\$ 1,819.8	3,017.0	60%
2003	10,520.7	13,912.8	75.6%	3,392.1	2,977.9	114%
2002	10,628.4	13,637.6	77.9%	3,009.2	2,777.6	108%
2001	11,855.0	14,958.0	79.3%	3,103.0	2,582.8	120%
2000	11,368.6	14,596.4	77.9%	3,227.8	2,563.6	126%
1999	10,092.1	13,913.4	72.5%	3,821.3	2,569.5	149%
1998	9,071.7	13,185.2	68.8%	4,113.5	2,485.1	166%
1997	7,752.6	12,077.6	64.2%	4,325.0	2,337.5	185%
1996	7,056.6	11,232.8	62.8%	4,176.2	2,253.3	185%
1995	6,081.7	10,570.3	57.5%	4,488.6	2,187.0	205%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of Teachers' Retirement System's funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system.

Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of Teachers' Retirement System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system.

Source: Teachers' Retirement System of Louisiana Comprehensive Annual Financial Report

ORLEANS PARISH SCHOOL BOARD
New Orleans, Louisiana

*Designed by Gilma M. Pavo.
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ORLEANS PARISH SCHOOL BOARD

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

JUNE 30, 2004

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EXHIBIT A

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Orleans Parish School Board
New Orleans, Louisiana

We were engaged to audit the financial statements of the Orleans Parish School Board as of and for the year ended June 30, 2004, and have issued our report thereon dated March 9, 2005. We did not express an opinion on the financial statements, because of the significance of certain uncertainties, resulting from investigations and audits, and since we were unable to rely on the basic accounting systems, and the activity and balances of interfund accounts were not substantiated by supporting documentation, and we were not able to apply other auditing procedures to satisfy ourselves. We did not audit the component units which were audited by other auditors.

Compliance

As part of obtaining reasonable assurance about whether the Orleans Parish School Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* that are described in the accompanying schedule of findings and questioned costs as items 2004-5, 2004-7, 2004-13, and 2004-15.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Orleans Parish School Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in internal control over financial reporting that, in our judgement, could adversely affect the School Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned cost as items 2004-1 through 2004-12, 2004-14, 2004-15, 2004-18, and 2004-30.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable conditions referred as items 2004-1 through 2004-3, 2004-5 through 2004-8, 2004-11, 2004-14 and 2004-15 above are material weaknesses.

This report is intended for the information of the Orleans Parish School Board, management, federal and state awarding agencies and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Prestithurath + Nettaridh

Metairie, Louisiana
March 9, 2005



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EXHIBIT B

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Orleans Parish School Board
New Orleans, Louisiana

Compliance

We have audited the compliance of the Orleans Parish School Board with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The Orleans Parish School Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Orleans Parish School Board's management. Our responsibility is to express an opinion on the Orleans Parish School Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Orleans Parish School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Orleans Parish School Board's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of Orleans Parish School Board with Child Nutrition Cluster, Title I Grants to Local Educational Agencies, Special Education Cluster (IDEA), Improving Teacher Quality State Grants (Title II) and Temporary Aid to Needy Families (TANF) regarding allowable costs and reporting, nor were we able to satisfy ourselves as to Orleans Parish School Board's compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the Orleans Parish School Board's compliance with the requirements of Child Nutrition Cluster, Title I Grants to Local Educational Agencies, Special Education Cluster (IDEA), Improving Teacher Quality State Grants (Title II) and Temporary Aid to Needy Families (TANF) regarding allowable costs and reporting the Orleans Parish School Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular

A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2004-17, 2004-20 through 2004-23, and 2004-27 through 2004-30.

Internal Control Over Compliance

The management of the Orleans Parish School Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Orleans Parish School Board's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in internal control over financial reporting that, in our judgment, could adversely affect the School Board's ability to administer a major federal program in accordance with the applicable laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1 through 2004-12, 2004-14, 2004-15, 2004-16 through 2004-20, 2004-22 through 2004-27, 2004-29, and 2004-30.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable laws, regulations, contracts or grants that would be material in relation to a federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable conditions referred as items 2004-1 through 2004-3, 2004-5 through 2004-8, 2004-11, 2004-14, 2004-15, 2004-16, 2004-18, 2004-19, 2004-24, 2004-25, and 2004-26 above are material weaknesses.

Schedule of Expenditures of Federal Awards

We were engaged to audit the financial statements of the Orleans Parish School Board as of and for the year ended June 30, 2004, and have issued our report thereon dated March 9, 2005. We did not express an opinion on the financial statements because of the significance of certain uncertainties resulting from investigations and audits and since we were unable to rely on the basic accounting systems, and the activity and balances of interfund accounts were not substantiated by supporting documentation, and we were not able to apply other auditing procedures to satisfy ourselves. We did not audit the component units which were audited by other auditors. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. We did not audit the accompanying schedule of expenditures of federal awards and we express no opinion on it.

This report is intended for the information and use of the Orleans Parish School Board, management, federal and state awarding agencies and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postthurnick & Nettivill

Metairie, Louisiana
March 9, 2005



Orleans Parish School Board
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Name	CFDA Number	Pass-Through Grantor No.	Expenditures
CASH FEDERAL AWARDS			
United States Department of Agriculture			
Passed through Louisiana Department of Education:			
School Breakfast Program	10.553	Not Applicable	\$ 4,231,989
National School Lunch Program	10.555	Not Applicable	15,652,471
Summer Food Program for Children	10.559	Not Applicable	1,078,640
Total United States Department of Agriculture			<u>20,963,100</u>
United States Department of Education			
Direct Programs:			
Impact Aid - Title VIII	84.041	-	553,826
Smaller Learning Communities	84.215L	-	173,131
After School Learning Centers	84.287B	-	675,744
Elementary School Foreign Language Incentive Program	84.294A	-	2,599
After School Learning Centers	84.287C		<u>240,693</u>
			1,645,993
Passed Through Louisiana Department of Education:			
Adult Education - State Grant Program	84.002A	0444-36, 0344-36	199,733
Adult Education - State Grant Program	84.002A	0344-36-C, 0244-36-C	5,893
Adult Education - One Stop Centers	84.002A	0413-36	<u>1,036</u>
			206,662
Improving America's Schools Act (IASA) / No Child Left Behind Act (NCLB):			
Title I Grants to Local Educational Agencies	84.010A	04-T1-36, 03-T1-36	31,640,378
Title I Grants to Local Educational Agencies	84.010A	03-T1-36-C, 02-T1-36-C	2,018,279
Title I Grants to Local Educational Agencies	84.010A	03-TA-36	<u>2,021,766</u>
			35,680,423
Title I Accountability	84.348A	02-TA-36-C	155,460
Migrant Education - Basic State Grant Program	84.011A	04-M1-36, 03-M1-36	177,326
Comprehensive School Reform - Title I CSR - Cohort 2	84.332A	03-T4-36-C, 02-T4-36-C	305,229
Comprehensive School Reform - FIE - Cohort 2	84.332A	03-T5-36-C, 02-T5-36-C	12,504
Comprehensive School Reform - FIE - Cohort 3	84.332A	03-T7-36-C, 02-T7-36-C	648
Comprehensive School Reform - Title I CSR - Cohort 3	84.332A	03-T6-36-C, 02-T6-36-C	<u>320,244</u>
			638,625
Advanced Placement Fee Payment Program	84.330A	28-04-26-36	5,356
Reading First	84.357A	03-RF-36	2,529
Title II, Part A, Teacher and Principal Training & Recruiting	84.367A	04-50-36, 03-50-36	7,246,688
Title II, Part A, Teacher and Principal Training & Recruiting	84.367A	03-50-36-C	<u>1,244,601</u>
			8,491,289
Title II Eisenhower Professional Development	84.281A	02-50-36-C	71,548
Class Size Reduction	84.340A	02-01-36-C	193,405
Enhancing Education Through Technology	84.318X	0449-36	427,813
LINC'S for Technology	84.318X	0346-36	87,589
FIRSTTech	84.318X	0403-36	44,812
Enhancing Education Through Technology	84.318X		<u>14,750</u>
			574,964
Title III English Language Acquisition	84.365A	04-60-36	133,294
Title III English Language Acquisition	84.365A	03-60-36-C	<u>369</u>
			133,663
Title IV (Safe and Drug-Free Schools - State Grant)	84.186A	04-70-36	202,377
Title IV (Safe and Drug-Free Schools - State Grant)	84.186A	03-70-36-C	<u>222,325</u>
			424,702

Innovative Education Programs Strategies - Title V	84.298A	04-80-36, 03-80-36	188,327
Innovative Education Programs Strategies - Title VI	84.298A	03-80-36-C, 02-00-36-C	297,670
			<u>485,997</u>
Education for Homeless Children and Youth - Title X	84.196A	04-H1-36, 03-H1-36	115,381
Special Education:			
Grant to States (Part B)	84.027A	28-04-B1-36, 28-03-B1-36	7,378,005
Grant to States (Part B)	84.027A	28-03-B1-36-C, 02-B1-36-C	1,302,350
Grant to States - Technology - (Section 611)	84.027A	02-BT-36	48
Grant to States - LA Assistive Technology Initiative	84.027A	28-03-B6-36	34,741
			<u>8,715,144</u>
Preschool Grants	84.173A	28-04-P1-36, 28-03-P1-36	283,103
Preschool Grants	84.173A	28-03-P1-36-C, 02-P1-36-C	30,140
Preschool Grants - Set Aside	84.173A	03-P2-36, 02-P2-36	67,173
			<u>380,416</u>
Grants for Infants and Families with Disabilities - Part C	84.181A	03-C5-36, 02-C5-36	1,581
Program Improvement Grants for Children with Disabilities	84.323A	28-02-SP-36	62,847
Program Improvement Grants for Children with Disabilities	84.323A	02-RI-36	12,883
			<u>75,730</u>
Vocational Education:			
Basic Grants to States - Carl Perkins Grant	84.048	0402-36	2,311,596
Basic Grants to States - Carl Perkins Grant	84.048	0302-36-C	33,987
			<u>2,345,583</u>
Total United States Department of Education			<u>58,669,122</u>
US Department of Health and Human Services			
Passed Through the Louisiana Department of Education:			
Refugee Children School Impact Grant	93.576	04-X3-36	8,097
Refugee Children School Impact Grant	93.576	03-X2-36	4,049
			<u>12,146</u>
School Health Programs to Prevent Serious Health Problems	93.938	U87/CCU608971-10	70,157
Temporary Aid to Needy Families (TANF):			
Child Literacy HIPPY	93.558	-	136,530
After School For All	93.558	03OS-36	288,218
More in the Middle	93.558	-	71,149
Child Literacy Math and Science Nights	93.558	-	2,420
LA 4 Pre-Kindergarten Program	93.558	28-0435	3,032,292
LA 4 Summer Enrichment	93.558	Not Applicable	(394)
Adult and Family Literacy - Partnership for Provision of Adult Lite	93.558	03LG-36	191,075
Family/Adult Literacy - WorkKeys Initiative	93.558	03WK-36	-
Strategies to Empower People - STEP Program	93.558	2804EP-36	3,117
Starting Points Preschool Program	93.558	0438-36	222,236
Pre-GED/Skills Option Program	93.558	0336-36	77,658
			<u>4,024,301</u>
Total United States Department of Health and Human Services			<u>4,106,604</u>
United States Department of Defense Direct Programs			
JROTC	12.998	-	829,308
United States Corporation for National & Community Service			
Passed Through the Louisiana Department of Education:			
Americorps - Louisiana Literacy Corps	94.006	0308-36	3,282
Total United States Corporation for National & Community Service			<u>3,282</u>
Total Cash Federal Awards			<u>86,217,409</u>
NONCASH FEDERAL AWARDS			
United States Department of Agriculture			
Passed through the Louisiana Department of Agriculture and Forestry:			
Food Distribution (Commodities)	10.550	Not Applicable	1,043,623
TOTAL FEDERAL AWARDS			<u>\$ 87,261,032</u>

ORLEANS PARISH SCHOOL BOARD

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Orleans Parish School Board and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2004, the organization had food commodities totaling \$284,798 in inventory.

NOTE C - RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The expenditures listed in the accompanying schedule are reported in the following funds in either the governmental funds statement of revenues, expenditures and changes in fund balances (basic statement) or the nonmajor special revenue funds combining statement of revenues, expenditures and changes in fund balance, (supplemental information) of the Orleans Parish School Board's June 30, 2004 financial statements.

General Fund	\$ 2,216,760
Federal IASA/NCLB Funds	47,999,543
Federal IDEA Funds	9,172,871
Other Federal Funds	6,905,423
Child Nutrition Fund	<u>22,006,723</u>
Financial Statement Total	88,301,320
Unreconciled Difference	<u>(1,040,288)</u>
Schedule of Expenditures of Federal Award Total	<u>\$ 87,261,032</u>

ORLEANS PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2003

A. Summary of Auditors' Results*Financial Statements*

Type of auditors' report issued: Disclaimer

- Material weakness (es) identified? x yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? reported x yes ~~no~~

Noncompliance material to financial statements noted? x yes no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? x yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? reported x yes ~~no~~

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? x yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027, 84.173	Special Education Cluster (IDEA)
84.367	Improving Teacher Quality State Grants (Title II)
93.558	Temporary Aid to Needy Families (TANF)

- The threshold for distinguishing types A & B programs was program expenditures exceeding \$2,594,821.
- The Orleans Parish School Board did not qualify as a low-risk auditee.

B. Findings – Financial Statement Audit

2004-1 Payroll and Human Resources

Criteria: Adequate internal controls relating to payroll and human resources require that specific procedures be in place to ensure that payroll expenses are properly recorded and that proper documentation relating to payroll expenses and employee records are sufficiently maintained. In addition, there should be controls in place to ensure that payroll checks are only issued to current employees of the School District.

Condition: Internal controls relating to the payroll and human resource departments are ineffective and inefficient based on the following:

- Employees within the payroll and human resource departments are not adequately trained on the Oracle System which processes and records payroll information.
- Salary increases that were given at the beginning of the 2003-2004 school year were not properly updated in the Oracle System and caused numerous employees to receive incorrect paychecks.
- The School District had no control over the distribution of payroll checks to employees for a portion of the 2004 fiscal year.
- Payroll was not being costed properly and timely during the audit period.
- Employees are not consistently coded to the correct fund and function.
- Accrued payroll at June 30, 2004 per the general ledger system could not be reconciled to the payroll system.
- Vacation days accumulated as of May 12, 2004 were used to calculate accrued vacation as of June 20, 2004.

Based on the results of our random sample of payroll transactions, the following exceptions were noted:

- 3 of 40 (7.5%) identification documentation of employee
- 36 of 40 (90.0%) written approval of salary/pay rate
- 18 of 34 (52.9%) school/department payroll transmittal in agreement with time sheet
- 25 of 36 (69.4%) timesheet signed by employee
- 1 of 36 (2.8%) timesheet signed by supervisor
- 4 of 36 (11.1%) variance between authorized pay and actual could not be supported

Cause: The School District did not maintain an adequate control environment for the payroll and human resources departments due to a lack of management oversight. Also, adequate written policies and procedures did not exist during the audit period. The automatic payroll posting system was not posting to the appropriate accounts.

Effect: The lack of adequate internal controls relating to the payroll and human resources departments significantly increases the risk that material errors and irregularities could exist and not be detected.

Recommendation: The School District should develop written internal control procedures within the payroll and human resource departments to include a control environment with management monitoring the process to ensure that payroll and human resource personnel are complying with policies established by the School Board. Those internal control procedures also should include specific procedures to ensure the effective communication and sharing of information between the payroll and human resource departments. An ongoing training program needs to be implemented. The correct posting of payroll transactions should be implemented and this should be verified by the monthly reconciliation of the payroll bank accounts and the various withholding accounts. General ledger account codings for individual employees needs to be verified. We understand that a payroll check distribution control system has been implemented since the fiscal year end. We recommend that the School District evaluate whether certain withholding options can be eliminated to simplify the payroll process and reconciliation thereof. We also recommend that payrolls be done only twice a month to provide interim time for reconciliation, corrections and review.

Management's
Response:

Summary of Efforts to Improve Operations and Controls

School District Management has employed several methods to strengthen the control environment in Human Resource and Payroll operations. During fiscal 2004 and currently, these efforts continue to be a high priority. In particular, the recommendations in the recently released Deloitte Consulting Report are being implemented. To date, while these efforts have resulted in significant improvements in payroll accuracy and reductions in the error rates of external audit tests from fiscal 2003, Management is aggressively pursuing further improvements in delivery of service and controls. Additional efforts to improve accuracy, internal controls and operational efficiency will rely heavily on the recommendations in the Deloitte Consulting Report (referenced below). A summary of efforts to date include the following:

- Corrective Action Plan and Task Force

Upon the receipt of last year's audit report and findings, a Corrective Action Plan was developed. Also, a Corrective Action Plan (CAP) Task Force was formed. The CAP Task Force (Task Force) included the Superintendent, the newly hired Chief Financial Officer (CFO) along with representatives from Internal Audit, the Greater New Orleans Education Foundation, Bruno & Tervalon LLP (B&T), accounting consultants, and the Legislative

Auditor's Staff.

The purpose of the CAP Task Force was to assist with resolving the internal control and accounting shortcomings outlined in the audit findings. Since April 2004, the CAP Task Force met regularly, usually two times per month. More recently, with the receipt of the Deloitte Consulting Report, Management has been preparing to select a project manager to implement the report's recommendations.

- Hiring of Payroll Supervisor - February 2005
- HR/Payroll Task Force Created to Improve Communications
- Other Initiatives to Improve Timeliness, Accuracy & Controls

A. Operations Reviews and Improved Oracle Utilization

1) May 2004 - A study of payroll operations by two consultants that had an extensive background working for companies with large payroll shop operations was commissioned by the new CFO.

2) June 2004 - With the financial assistance of the Greater New Orleans Education Foundation, Deloitte Consulting was hired to perform an operations review human resource, payroll and accounts payable operations. A separate operations audit was mandated by Act 193 of the 2004 Legislative Session. After a competitive bid process, this audit was awarded to Deloitte Consulting. The purpose of the audit was to review the effectiveness of a number of departments, including Human Resources and Payroll to determine whether these functions should be retained internally or outsourced. The results of the operations review and the operations audit (referred to as the "180-Day Report") were released in December 2004 and are being analyzed and the plan is to hire a project manager to implement the recommendations.

3) July 2004 - A sub committee of the CAP Task Force was formed to address a broad range of payroll issues, including the duplicate check problem and overall controls. It included members from the Human Resources, Payroll, Internal Audit and Information Technology (IT) Departments, the Legislative Auditor's Staff and B&T.

4) System enhancements, available through the upgrade to Oracle Release 11i, have served to assist improvement plans in the Human Resource/Payroll processes. For instance, currently, Oracle Alerts are sent to the Payroll Department each time an employee termination occurs.

B. Payroll Process Sub Committee

Through the CAP Task Force, the sub committee and input from the consultants, an emphasis was placed on improved communication and verification of employee existence by school and department heads as well as reengineering paycheck printing and distribution through the following measures:

C. Implementation of a Biometrics on a Pilot Basis

To improve accuracy and efficiency with collecting time worked of employees, a new method was implemented in sixteen schools and eight departments on a pilot basis in spring 2004. Under this method, which enables the School District to decentralize the time entry process, each employee's fingerprint is stored electronically. When the employee reports to/departs from work, the employee registers the time of arrival/departure using a terminal to imprint his/her finger print. The system reads the fingerprint and produces reports to summarize attendance. Effectiveness of this system is being evaluated, and if evaluated functionally accurate and acceptable, will be implemented in all schools and departments for fiscal 2006.

D. Requiring Employees to Show Identification and Sign for their Paychecks

E. Improved procedures for Check Issuance and Check Printing

Near the end of the 2003-04 fiscal year, new procedures and separate Checks Issued Logs were implemented for the three (3) check types (Regular, Quick Pay and Garnishment).

Check printing is now witnessed by a Cash Management representative and the new logs eliminated the possibility of duplicate check numbers.

F. Installation of a Payroll Distribution Center at OPSB Almonaster Service Facility (August 2003)

This office was opened to facilitate the receipt of rosters certified by principals and handle returned paychecks.

G. Separation of Paycheck Distribution from the Payroll Staff Members (August 2004)

Selected employees from Cash Management, Accounting and IT were chosen to handle the paycheck distribution. Paychecks are distributed using secured bags.

H. Institution of a Separate Group for Returned Paychecks Not Claimed on Payday (August 2004)

Another non-payroll group, primarily Cash Management and Accounting Department staff members, were assigned the responsibility for receiving and logging-in of paycheck returns.

I. Cross Validation Rules

Because of the Budget Director's resignation in June 2004, completion of the Cross-Validation Rules Update was postponed until spring 2005. A new director was appointed in October 2004. However, the new Budget Director's initial efforts have been geared toward resolving fiscal 2004-05 budget adoption issues, understanding the fiscal effect of Act 193 of the 2004 State Legislature which redefined the Superintendent's budget and spending authority, and acquiring a command of the Oracle System.

J. Payroll Bank Account Reconciliation

In April 2004, one of the first actions of the Task Force was to appoint B&T to handle the payroll bank reconciliations. While the accounting staff had made some progress toward determining the monthly outstanding checks, reassignment of duties within the staff limited staff availability to complete the reconciliations. Reconciliations were completed for each of the twelve (12) months, and fiscal 2004-05 reconciliations are in progress.

K. Timely Payroll Costing/Distribution

Payroll Costing/Distribution involves a pre-posting review of the payroll information produced from the check registers to determine existence of invalid account combinations. In prior years, completion of this process and posting of the payroll has not been timely and lagged by several months. During fiscal 2003-04, there was a significant improvement in the timeliness of the costing process and payroll postings as the lag time was generally reduced to a week to ten days after the payroll run. This was made possible through designation of the Costing/Distribution to a designated accountant. To improve ability to track payroll run postings to the general ledger, a goal is to post each payroll separately rather than by payrolls occurring within a time period.

2004-2 Accounts Payable Disbursements

Criteria:	Adequate internal controls relating to accounts payable/disbursements require that specific procedures be in place to ensure that expenses are properly recorded on a timely basis and that there are no misappropriations of the School District assets.
Condition:	Internal controls relating to the accounts payable/disbursements function are ineffective and inefficient based on the following: <ul style="list-style-type: none">• Several adjustments to accounts payable were made over

five months after fiscal year end. After these adjustments, our search for unrecorded liabilities resulted in additional required accruals of roughly \$1,800,000.

- Supporting documentation for 14 of 146 (9.6%) transactions requested could not be located during our accounts payable testing.
- 2 of 146 transactions tested were noted to be recorded twice and required a reversing adjustment. The adjustment totaled \$225,000.
- The accounts payable department was unaware how the Oracle accounts payable detail subsidiary ledger related to the general ledger and consequently the detail was not reconciled to the general ledger at any time during the year.
- The general ledger has roughly 2,000 individual accounts payable accounts. A number of these accounts are debit balances or balances that have not changed during the fiscal year.
- The School District does not require or encourage vendors to use an invoice number and consequently disbursements in the general ledger have invoice numbers created by the School District. These created invoice numbers are not consistent, but may be the purchase order number, the date of the invoice or some other number. Since actual invoice numbers are not used duplicate payment is possible.
- The accounts payable department does not investigate and void checks on a regular basis and the means of voiding checks does not always leave a trail on the vendor history that is reliable.

Our detail test of disbursements indicated the following exceptions:

- 13 of 32 (40.6%) purchase order dates were subsequent to the matching invoice date.
- 5 of 40 (12.5%) cancelled checks could not be located for testing.
- 7 of 33 (21.2%) examined documents did not have evidence of signed receipt for the goods or services.
- 3 of 32 (9.4%) purchase orders did not provide evidence of approval.
- 6 of 40 (15.0%) sets of supporting documentation for purchases were not marked cancelled.

Cause: Orleans Parish School District is not enforcing their policies for purchasing and disbursements functions. There has been insufficient training and supervision of the School District personnel involved in the purchasing and disbursing functions.

Effect: The lack of adequate internal control relating to the accounts payable/disbursements function could result in the School District assets being misappropriated and/or the financial

statements being materially misstated. The untimely recording of disbursements also prevents the timely, proper billing of reimbursements for grants. Financial information for management purposes is unreliable.

Recommendation: The School District should implement adequate internal controls relating to the accounts payable/disbursements function. There needs to be management oversight to ensure that the School District is complying with their policies and procedures and to ensure that the School District assets are not misappropriated.

Specific recommendations include that all purchases require a purchase order, all purchase orders be promptly furnished to accounts payable and all invoices be sent immediately to accounts payable. Receiving reports should be used and forwarded to accounts payable. As the accounts payable department receives documentation, it should be entered immediately into the Oracle system. All invoices paid should be documented as such. The accounts payable department needs to be trained in the various reports available through Oracle so that they can effectively manage the disbursements through the system. All supporting subsidiary ledgers should be reconciled monthly to the general ledger. Outstanding purchase orders should be investigated and *encumbrances should be monitored regularly*. *Unmatched* documents should be investigated and properly resolved. Old outstanding checks or voided checks clearing the bank should be timely investigated and adjustments made with proper documentation and approval being maintained. Accounts payable control accounts should be established rather than individual accounts.

**Management's
Response:**

For fiscal 2003-04 and ongoing, improvement initiatives have focused around the following main areas:

A. Balancing the Supporting Ledger to the General Ledger

For fiscal 2003-04 year-end reporting, significant effort was placed in analyzing the subsidiary payables ledger and balancing it to the general ledger. In November 2004, the vacant Purchasing Director's position was filled. Plans are being made to implement a monthly review of the detail outstanding purchase order and invoice files to assure that only actual encumbrances and invoices are on the file.

B. Development of Written Procedures and Manual

Using the input of staff and consultants, a procedure manual was developed. The manual serves several purposes, including:

1) Outlines step-by-step procedures for processing vendor invoices and employee reimbursements for travel and other minor

purchases.

2) Provides a training manual for new staff to learn how to use the Oracle Accounts Payable Module and to assure documentation for purchases of goods and services, through collection of receiving reports and other documentary support.

3) *Guides staff in generating the check registers from the Oracle System to provide assurance of check register balancing and required supporting documents.*

C. Advertisement for Accounts Payable Supervisor

Currently in progress is the process to select an Accounts Payable Supervisor. This position has been filled on a temporary basis for a substantial period of time. *In the meantime, a consultant has been assigned to work with Accounts Payable to improve operations.*

D. Deloitte Studies: Operations Review and "180-Day Report"

In early summer 2004, Deloitte Consulting was contracted to conduct an operations review of the Accounts Payable Department to determine solutions for problem areas and assess the effectiveness of Oracle's Accounts Payable Module. Subsequently, passage of Act 193 by the state Legislature added a mandate that an operations audit of certain departments be evaluated within 180 days to develop an assessment whether operations should be outsourced or retained in-house. Deloitte Consulting issued a draft report in December 2004. The results of the two studies and their recommendations are currently being reviewed.

E. Tracking and Handling of Old Outstanding/Voiced Checks

The School District has implemented a practice of reclassifying checks outstanding for over one year to an unclaimed property account. An analysis is made which includes contacting the payee, as necessary, to determine if the reclassified checks should be voided or reissued to the payee. During fiscal 2004-05, the accounting staff will notify the Accounts Payable Supervisor when checks are outstanding for over ninety (90) days.

F. Control of Supporting Documents

During fall of 2004, a project was instituted to improve control of supporting documents. The Accounts Payable Check Copy Files were reorganized and a new system installed to control documents, including those shipped to off-site storage.

2004 - 3 Reconciliations

Criteria:	An adequate internal control structure would require the timely reconciliation of all cash and selected general ledger accounts on a monthly basis to ensure that all transactions are properly recorded and that the accounts do not contain any errors.
Condition:	<p>For the year ended June 30, 2004, certain cash, inventory, special revenue, accounts payable, due to/from, interfund transfers, payroll withholdings, retainage payable and other routine general ledger reconciliations were not completed on a timely basis. We noted the following:</p> <ul style="list-style-type: none">• The School District did not reconcile several bank accounts during the year and required the services of outside consultants to provide the reconciliations. Several months of reconciliations were performed sometime after June 30, 2004.• A physical inventory of the maintenance inventory was not taken until five months subsequent to year end. The maintenance department attempted to perform a retroactive reconciliation of the inventory balance.• All payroll withholding accounts were not reconciled during the fiscal year. Several payroll withholding accounts with large balances were reconciled by consultants after the end of the fiscal year. Those reconciliations identified numerous errors including incorrect costing from the payroll system, duplicate payments, and erroneous payments. Documentation to support the payroll withholdings could not be provided by the School District.• The reconciliation of the special revenue funds was performed by outside consultants over six months subsequent to year end.• Accounts payable subsidiary ledgers and encumbrances were not reconciled to the general ledger during the fiscal year.• Bank reconciliations identified outstanding checks greater than one year that had not been investigated to determine whether the checks were valid, needed to be voided, reissued or escheated to the State.• The School District was not in compliance with its Cash Management & Investment Policy by failing to maintain current audited financial statements for each financial institution in which the School District has investments.
Cause:	Due to the absence of written procedures and inadequate management supervision, the School District does not have an adequate control environment to ensure that all cash and general ledger accounts are reconciled on a monthly basis. The improper posting of payroll transactions to the cash account makes reconciliation of the payroll accounts difficult.
Effect:	The failure to complete cash and general ledger account reconciliations in a timely manner could allow errors and/or irregularities to exist without being identified and corrected. The

information in the general ledger was incorrect and, therefore, management and budgetary controls could not be done effectively.

Recommendation: The School District should implement an adequate control environment that includes written procedures and management monitoring to ensure that all bank accounts and other critical balance sheet accounts are reconciled in a timely manner and reviewed by an appropriate supervisor. Written procedures should specifically identify employees to perform the reconciliations and the supervisor that is responsible for the review and approval.

Management's Response:

In January 2004, the School District administration began its efforts to rectify the problems with reconciliation of various accounts. To a large extent, resolution or initiation of efforts to resolve some of the problems required additional resources, whether internal or external (such as consultants).

A. Initiatives to Provide Required Staffing

In April 2004, a key major staffing need was filled through the hiring of a Chief Financial Officer (CFO). Prior to hiring, the CFO was involved with the development of the Corrective Action Plan.

In May 2004, the School Board approved administration's request to hire accounting consultants to assist with accounting and other functions until the additional in-house staff could be hired or an outsourcing decision made. The consultants were assigned to assist with bringing monthly postings and reconciliations up to date in various areas, including cash accounts, due to/due from (Interfunds accounts), accounts payable, payroll withholding and other accounts.

During the summer and fall of 2004, the School District advertised to fill several key department head positions. These efforts culminated in the hiring of a Purchasing Director (October), Budget Director (November - this position became vacant in June 2004) and Risk Management Director (March 2005). Interviews have begun to hire an Accounts Payable Supervisor, a position that has been filled on an interim basis for several fiscal years. Unfortunately, the CFO position became vacant in March 2005 and the position has been advertised.

As recommended in the Deloitte Consulting Report, a proposed re-organization of the Finance Department is being implemented. The plan includes hiring personnel where needed, such as Controller, Administrator of Accounting, General Ledger Supervisor and Grants Accounting Supervisor.

B. Improvements in Reconciliations

1) Bank Accounts

In recent fiscal years, accounting entries for payroll had not been posted timely to the general ledger, which prevented monthly reconciliation of accounts. During the second half of fiscal 2004, the CFO utilized the Budget Director and an Internal Audit staff member to ensure that the payroll transactions were posted regularly.

Also, in January 2004, procedural changes and work reassignments were made to improve internal controls and perform reconciliations. Efforts began to perform monthly reconciliation of the payroll account. In addition, in May, monthly bank reconciliations for the worker's compensation and other accounts. Further, accounting consultants monitored the reconciliation of bank accounts.

Prior to the end of the fiscal year, an Oracle consultant was hired to review and determine the changes needed to reactivate the Oracle Cash Management module. During fiscal 2005, in consideration of the recommendations in the Deloitte Consulting Report, the School District will consider implementation of bank reconciliation of major accounts using this module.

2) Payroll Withholding Accounts

Reconciliation of these accounts was assigned to the consultants and all accounts were analyzed and balanced for year-end close; a small number of optional withholding accounts had unresolved balances, and because of time limitations, were noted for future resolution.

3) Special Revenue Accounting

With the payroll posted regularly, this enabled the Special Revenue Accountants to identify and correct posting errors on a more current basis.

4) Accounts Payable and Encumbrances

Monthly reconciliations were not performed during the fiscal year. However, the consultants and staff reconciled the payables ledger after an intensive review of account balances and pending invoices. Encumbrances were also analyzed by School District accountants. With the participation and assistance of the newly hired purchasing director and purchasing department staff members, plans have been made to clean-up and delete any obsolete purchase orders and invoices on the payables system.

5) Outstanding Checks Greater than One-Year Old

A special account was created to control and resolve old, outstanding checks. A team consisting of the consultants and in-house staff was assembled to research these checks and determine appropriate resolution. This task encompasses checks issued from the operating, payroll and worker's compensation accounts. For review of outstanding payroll checks, the accounting consultants are working with an Oracle consultant to develop a report which will facilitate researching employees' paycheck history.

6) Current Audited Financial Statements

The Cash Manager has been assigned to handle this task. Acquisition of the audited financial statements will be added to an Operations Checklist.

7) Inactive Bank Accounts

During the past year, the list of bank accounts was reviewed and updated; one account was closed. Staff has been instructed to eliminate all unnecessary accounts.

2004-4 Segregation of Duties – Cash and Investment

Criteria:	Adequate internal controls would allow for the recording of cash transactions, reconciliation of cash accounts, custodian of cash records, and the execution of cash transactions (check signing authority) to be performed by different employees within the School District.
Condition:	The Supervisor of Cash Management at the School District has authority to record cash transactions in Oracle, transfer funds between accounts, reconcile the cash accounts, and is the sole custodian of cash documents.
Cause:	The turnover at the Chief Financial Officer position has resulted in <i>ineffective training</i> of staff. As a result the normal segregation of duties has been abrogated to allow a single individual to do all the tasks.
Effect:	In the absence of adequate segregation of duties, there is an increase in the risk that errors and/or irregularities could exist without being identified and corrected in a timely manner.
Recommendation:	The School District should segregate the responsibilities relating to the custody, recording and reconciliation of cash and investment accounts.
Management's Response:	In January 2004, while a complete finance reorganization plan was not implemented, the School District did take action to segregate

the responsibility related to the custody, recording and reconciliation of cash and investment accounts. Additionally, the accountant responsible for bank reconciliations was reassigned and began reporting directly to the CFO. The accounting consultants also monitored the bank reconciliation function. Effective April 2004, the bank reconciliation accountant began providing the CFO with a monthly schedule of cash accounts, including account balances and reconciliation status.

Additionally, a procedure was implemented whereby transfers between bank accounts must now be approved in writing by authorized bank account signatories and the Cash Manager can no longer post entries on the ledger.

Going forward, plans are to further revise operations and provide key positions as recommended in the Deloitte Consulting Report.

An interim administrator of accounting has been appointed and the selection process is in progress for the general ledger supervisor. When these positions are filled, staff will be available to monitor the current status of bank accounts and ledger balances.

2004-5 Interim Financial Reporting and Budget Monitoring

Criteria:	<p>For purposes of monitoring the financial condition and operations of the School District, financial statements should be available for management and presented to the Board Members for their review on an interim basis. Additionally, the financial statements and budgets presented should be complete and accurate.</p> <p>Louisiana Revised Statute §39:1310 provides that the chief executive or administrative officer advise the governing authority in writing when total revenues and other sources are failing to meet the budget by 5% or actual expenditures and other uses are exceeding the budgeted expenditures and other uses by 5% or if actual beginning fund balance fails to meet estimated beginning fund balance by 5% or more. Louisiana Revised Statute §39:1309 provides that when the governing authority has received notification pursuant to Louisiana Revised Statute §39:1310 or there has been a change in operations upon which the original budget was developed, the governing authority shall adopt a budget amendment.</p>
Condition:	<p>The School District did not prepare and provide interim financial statements to the School Board during the 2004 fiscal year. Additionally, the untimely recording of financial information, including recording of accounts payable and revenues, made any information provided to the School Board unreliable. Certain funds exceeded their legal budget. Budgets for special revenue funds were not amended or adjusted during the year.</p>
Cause:	<p>The School District has not filled and maintained a Chief Financial Officer Position, nor does it have an adequate number</p>

of accountants on staff. There has been turnover and ineffective training of staff. Due to the School District not performing cash and general ledger reconciliations, the School District was unable to periodically close the accounting records in order to prepare interim financial statements.

Effect: Without on-going oversight of the financial operations of the School District, School Board members would be unaware of deterioration in the School District's finances or even potential irregularities. Budgetary compliance cannot be monitored if there is no reliable financial information. In addition this is necessary in order to comply with Louisiana Revised Statute §39:1310.

Recommendation: The School District must hire a Chief Financial Officer and an adequate number of competent accountants. In addition, detailed budget to actual operating statements for the general fund and all other major funds should be presented and reviewed at finance committee meetings at a minimum of once a quarter in order to insure compliance with Louisiana Revised Statute §39:1310.

**Management's
Response:**

To improve the timeliness of recording and posting accounting information, partial staff reorganization was implemented in January 2004. Upon receipt of the fiscal 2003 audit adjustments, the entries were posted to the ledger in March 2004. The CFO position was hired in April 2004. Interim financial reports were implemented; however, regular monthly reporting was postponed due to the June 2004 resignation of the budget director. Also, in December 2004, the CFO was reassigned to another position, and one of the consultants was appointed as interim CFO. The CFO position has been advertised.

The current accounting staff was evaluated as part of the Operational Performance Review by Deloitte Consulting. The recommendations in their report have been incorporated in the 180-Day Plan to provide better skilled and qualified personnel.

In addition, Act 193, passed by the Louisiana Legislative, granted additional powers to the Superintendent. Some portions of the Act have required interpretations as to the superintendent's requirements in reporting budget changes as well as hiring and spending authority. The new budget director submitted and the new School Board approved a revised budget at its January 2005 Business Meeting. Also, the budget director has worked with an Oracle consultant to improve the budgetary reporting documents which will be a key tool with budgetary interim financial reporting, including distribution of reports reflecting budget variances.

Interim financial statements are scheduled to begin in April 2005, upon completion of the financial audit and Federal Single Audit.

2004-6 Accounting Software/Training

Criteria:	In order for employees of the School District to perform their duties efficiently and accurately, the employees must be adequately trained in using the accounting software used. Additionally, the software must be appropriately programmed.
Condition:	During the audit period, there were various instances where employees of the School District failed to complete basic accounting tasks because they lacked specific knowledge of the capabilities of the School District's accounting software. Payroll was one area where the recording function was incorrectly posting to the general ledger and therefore payroll cash and various payroll withholdings were incorrectly recorded.
Cause:	Management of the School District has failed to adequately train employees working in the various accounting departments on the accounting system. In addition, the School District has experienced a very high turnover rate of skilled accounting employees.
Effect:	The accounting staff at the School District is not operating in an efficient and effective manner. Financial information vital to the adequate monitoring and management of the School District finances is not being provided to management.
Recommendation:	Management should adequately train employees to efficiently and effectively utilize the accounting software in order to produce relevant and reliable information to properly analyze the financial position of the School District. When programming problems are identified the problems should be addressed in a timely manner.
Management's Response:	<p>During fiscal 2004, a number of milestones were met as it relates to training staff with Oracle Software. The Oracle 10.7 application was upgraded to 11i. Departments participated in the upgrade project. A number of training opportunities were afforded to staff in the central office and school sites by Information Technology (IT) Division staff, Oracle consultants and financial staff.</p> <p>In addition, the IT Division developed a re-organization plan, which was approved in October 2003. Five teams were established: Student Information Services (Student Data, Training), Information Services (Help Desk, Training), Networks Services (Infrastructure, Hardware/Software), Management Information Services (Applications, Training, Reporting), and Telecommunication Services (Telephones, Infrastructure, Hardware).</p>

Among the training efforts provided during the fiscal year were the following:

1) Oracle Release 11i Implementation and Training

During the implementation, training was providing to module users by the Oracle and NOPS project team. This training included module set-up, module functionality, workflows, and reporting. Utilizing personnel from the Management Applications and Information Services teams, manuals were developed and additional training was provided to functional areas. Business Applications has module assigned functional/technical personnel to resolve technical assistance request and provide one-on-one training to all personnel within their respective modules.

2) Procurement Training

Management Applications and Network Services teams reviewed the process options with the procurement module and set-up the workflow functionality which allowed the District to utilize on-line requisition function. All of the schools and departments were trained in requisition entry as well as inquiry process associated with budget allocations, purchase orders and payments. Additional training was provided by the Management Applications team and IT Oracle Consultants to the Purchasing team, Child Nutrition Department, and other department personnel on the use of procure-to-pay operations.

3) Financial Process - Period Close Process Training

The Management Applications team partnering with IT Oracle Consultants provided training sessions on closing procedures with the operational supervisor for each module. These sessions covered month-end and year-end processes. For reinforcement, follow-up sessions were held with accounting consultants. Documentation was provided for all of the sessions. These sessions lay the foundation for beginning period closing of the ledger in fiscal 2005.

4) Accounts Payable Training Manual

A key effort was the development of an Accounts Payable Manual customized to School District processing procedures. Comprehensive and covering Oracle and accounts payable procedures, this manual provides a valuable reference guide and will serve as a training tool for new employees. Current staff and all new staff members will receive training on the manual.

2004-7 Fixed Assets

Criteria: Louisiana Revised Statute §24:515(B) states that all governments “shall maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable.

Condition: Internal controls relating to fixed assets are ineffective and inefficient based on the following:

- An accurate listing of fixed assets was not maintained during the fiscal year.
- The Fixed Asset Department was not notified by the Purchasing or Budget Departments when a fixed asset was purchased during the year.
- The recording of purchases of capital assets is not consistently coded as a capital outlay.
- The Fixed Asset Department is not performing routine physical inventory counts. The Fixed Asset Department has available bar code scanners and software to assist in physical inventories that is not being used.
- Repairs and maintenance are analyzed and include amounts which required reclassification to capital outlays.
- Building improvements are not broken out by year of improvement and therefore depreciation calculations may be inaccurate.

Our testing of fixed asset current year additions and deletions resulted in the following discrepancies:

- 3 of 73 (4.1%) fixed asset addition cost was the amount equal to the purchase order and not the invoice, and of these three purchases, an addition was recorded for an item not on the invoice.
- 1 of 73(1.4%) supporting documentation for the addition could not be located.
- 14 of 73 (19.2%) a fixed asset inventory form was not signed by a school representative until November of 2004.
- 5 of 10 (50.0%) fixed asset deletion forms were not provided and for the remaining 5 fixed asset disposal forms received, there was no documentation of approval for the disposal.
- 11 of 58 (19.0%) supporting documentation for capital projects could not be located. The total amount of the capital projects was \$983,934.
- 11 repairs and maintenance charges for approximately \$1.2 million required a reclassification to capital outlays.

Cause: The School District Fixed Asset Department is not adequately supervised and is not guided by adequate policies and procedures. Additionally, the Fixed Asset Department does not receive adequate supervision and does not get the necessary support from other departments within the School Board in order to adequately

track and report fixed assets.

Effect: The lack of adequate internal control relating to the Fixed Asset Department could result in the School District's assets being misappropriated and/or the financial statements could be materially misstated. Also, non-compliance with state and/or federal laws could result in the loss of grant funds.

Recommendation: The School District should establish adequate written policies and procedures relating to the Fixed Asset Department that would include proper supervision by a responsible employee, timely tagging of assets, and routine physical inventory counts performed by someone other than the custodian of the fixed assets. The depreciation for buildings and improvements needs to be made by year of acquisition. Also, communication between the Purchasing, Budget, and Fixed Asset Departments, as well as, the custodian of the fixed asset, needs to be improved to ensure that all fixed asset additions and deletions are identified and recorded.

**Management's
Response:**

A. Restoration of Fixed Asset Controls and Accounting Improvements

During fiscal 2004, several changes were made to improve the control environment for fixed asset safeguarding and accounting. These included:

- 1) Training and planning sessions with fixed asset staff conducted by accounting consultants;
- 2) Improved communication with Purchasing Department, resulting in receipt of purchase order copies from the Purchasing Department and assistance with tracking purchases with special revenue funds;
- 3) Acquisition of purchase orders through the Oracle System;
- 4) Allocation of responsibility for each school and department to the (3) fixed asset accountants to ensure tracking of additions, deletions and transfers at all schools and departments;
- 5) Improvement in the timeliness of request for annual physical inventory;
- 6) Continuity in enforcement of Board-approved policy and improvement in control of and maintenance of fixed asset data files; and
- 7) For asset valuation and depreciation purposes, all building improvements, including CIP III expenditures for \$175 million since fiscal 1999 have been broken out by year of improvement.

B. Additional Plans to Improve Controls

- 1) Monthly activity reports of volume of additions, deletions and transfers;
- 2) On-site inventory inspections by fixed asset and/or internal audit staff to assure all asset additions are being tagged and possible physical inventory by external company;
- 3) Return to Oracle Fixed Assets Accounting module or other software designed specifically for fixed asset accounting – in place of currently used Microsoft Excel generic program; and
- 4) Obsolete and/or surplus property sales.

2004–8 Special Revenue / Billing

Criteria:	Requests for reimbursement from federal and state agencies should be submitted on a timely basis as necessary to facilitate cash flow.
Condition:	Requests for reimbursement are not being made on a timely basis. For some programs, requests are not being prepared until the end of the fiscal year or even after fiscal year end.
Cause:	The School District did not prepare the requests for reimbursement on a timely basis due to salaries not being properly classified and recorded timely and due to staffing shortages in the Special Revenue Accounting Department.
Effect:	The failure to submit requests for reimbursement on a timely basis could result in disallowed costs and therefore, a loss in federal and state revenue. The failure to submit requests for reimbursement on a timely basis also results in less liquidity for the School District.
Recommendation:	Requests for reimbursement should be prepared and submitted on at least a quarterly basis for all programs. Requests for reimbursement for larger programs should be prepared on a monthly basis.
Management's Response:	Timeliness of submission of requests for reimbursement improved significantly for fiscal 2004. This was due in large part to the posting of payroll on a current basis and additional resources supplied to the special revenue accountants. Also, concurrent with the timely posting of payroll, requests were made based upon actual expenditures rather than based upon estimated amounts, as in fiscal 2003, due to the lag in posting payroll runs.

Other efforts during fiscal 2004 to improve the management of special revenue programs included hiring of a new administrator

for hired for special revenue programs along with a compliance specialist for administration.

The entire accounting department operations, including special revenue accounting, have been under review. Also, recently, a staff auditor from the Internal Audit Department was assigned on an interim basis to supervise the special revenue accounting. A number of sweeping recommendations for operational improvement were included in the findings of two reviews, both prepared by Deloitte Consulting. The recommendations in the reports, both released in December 2004, are being studied and melded with administration's reorganization plans which will be submitted as part of a fiscal 2005 budget revision.

2004-9 Internal Audit Function

Criteria:	A good system of internal controls would include a functional Internal Audit Department that could assist the School District in operations and compliance.
Condition:	During the fiscal year 2003 – 2004, the Internal Audit Department was not properly functioning because they were performing accounting work for the Accounting Department. Also, the School District did not have a Director of Internal Audit or adequate staff during the fiscal year.
Cause:	The School District has been searching for a Director of Internal Audit, but has been unable to fill the vacancy.
Effect:	Without an adequate internal audit function, errors, irregularities, and non-compliance with laws and regulations could exist and not be detected.
Recommendation:	The School District should employ a Director of Internal Audit, and fill and maintain the staff positions for the Internal Audit Department. The Internal Audit Department should not be an extension of the Budget, Accounting and Finance Departments but should be independent of those departments. Also the Internal Audit Department should be encouraged to use a risk based criteria for selection of engagements.
Management's Response:	<p>Beginning with the receipt in February 2004 of the fiscal 2003 audit report and findings, there was a significant increase in Internal Audit Department involvement with several key activities. With the senior internal audit staff member serving as interim department head, these included:</p> <p>1) collaboration with the Legislative Auditor's staff on various investigative audits;</p>

2) participation in efforts to improve human resource and payroll operations and controls; and

3) monitoring of efforts in completing Corrective Action Plan measures and facilitating completion of tasks and preparation of data for the external audit.

In October 2004, the school district was able to hire an Internal Audit Director as its top administrator. The operations and staffing of the Internal Audit Department were studied in detail by the Deloitte Consulting reviews. As in the case of special revenue accounting (see update above for 2003-8 Audit Finding), a number of recommendations for the future role of the internal audit function are included. Currently, due to vacancy in the CFO position, the Internal Auditor is currently serving as the interim CFO.

2004-10 Budget, Finance and Accounting Department Staffing

Criteria: A good system of internal controls and sound business practices would include adequately staffed Budget, Accounting and Finance Departments.

Condition: There was no leadership over the Budget, Accounting and Finance Departments for most of the fiscal year as there was continued turnover in the position of Chief Financial Officer. We were unable to obtain an official organizational chart that reflected the accountability of the staff. We observed frequent changes in duties and responsibilities within the staff. Many of the duties were contracted out to consultants. Also, there are various open positions throughout the Departments.

Cause: The Chief Financial Officer hired for the fiscal year was subsequently reassigned and two interim Chief Financial Officers resigned. Additionally, the School District does not have an adequate number of competent accountants.

Effect: Without effective leadership from an experienced Chief Financial Office and an adequately staffed Budget, Accounting and Finance Departments, errors, irregularities, and non-compliance with laws and regulations could exist and not be detected.

Recommendation: The School District should employ an experienced Chief Financial Officer and adequately staff the Budget, Finance and Accounting Departments with competent accountants.

Management's Response: Finding and retaining a Chief Financial Officer (CFO) has proven to be a difficult task, not only to find the right individual but also due to circumstances confronting the School District. However, based upon known shortcomings in controls and assignments, several changes in responsibility were implemented

in January 2004.

Relative to the CFO position, during early fiscal 2003, the school district was able to secure a seasoned finance professional; however, after less than three months service, the incumbent made a decision to not remain in governmental finance. During the ensuing five-month period, the CFO duties were handled at different intervals by a consultant and then the Deputy Superintendent for Operations.

In April 2004, a retired CFO with a school finance background was hired. Initial efforts of the CFO were directed to implementing the Corrective Action Plan to address the fiscal 2003 audit findings and assess staffing. For organizational simplicity, the staffing within the Accounting and Finance Departments were consolidated.

An updated reorganization plan was prepared and presented in connection with the fiscal 2005 budget. Adoption was deferred due to the Deloitte Consulting review (see 2003-2 D) and a separate Payroll Operations study. Additionally, an audit of staffing and functions was mandated to be completed by December 2004 through Act 193 of the Louisiana Legislature.

In late November 2004, when the CFO was reassigned to other responsibilities, the Superintendent appointed as interim CFO a financial consultant who had been providing services to the School District during the past year.

The reorganization is scheduled to be submitted to the new School Board at its January 2005 Business Meeting. In the meantime, some interim responsibility changes in accounting have been implemented as well as advertising for known needed positions, such as accounting supervisor and payroll director.

2004-11 Journal Entries

- | | |
|------------|--|
| Criteria: | A good system of internal controls would include a supervisory review and approval of all journal entries prior to posting to the general ledger. The number of journal entries should be limited since the system should record transactions through the normal receipts, disbursements and payroll systems. |
| Condition: | We noted an excessive amount of journal entries. Journal entries were reversed and duplicated. There is an inadequate review process for journal entries to be posted into the general ledger system at the School District. Numerous employees have authorization to post journal entries without adequate supervisory review. The documentation for some journal entries is not sufficient. (Supporting documentation could not be located for 1 of 20 journal entries selected for testing) Consequently, erroneous and duplicate journal entries have been posted to the general |

ledger.

Cause: The Finance, Accounting, and Budget Departments do not report to an appropriate supervisor and too many lower level staff have authorization to post entries into the general ledger.

Effect: Without adequate internal controls and supervisory review of journal entries prior to posting, errors, irregularities, and/or duplications could exist and not be detected timely.

Recommendation: The School District should establish adequate internal control procedures to ensure all journal entries are reviewed and approved prior to posting. Also, the School District should restrict general ledger posting access rights to certain employees that specifically require that access as per their job duties.

**Management's
Response:**

Because of additional experience with the Oracle System gained by staff and quality improvement in journal entry preparation, there has been a significant reduction in the number of entries, including duplicate entries.

In January 2004, a revised process with improved controls was developed and implemented for general journal entries. An interim administrator of accounting was appointed to monitor the submission of and documentation for journal entries. Additionally, authority to post journal entries was restricted while new procedures were enacted to increase controls over control of journal entry documents.

2004-12 General Ledger Chart of Accounts

Criteria: In order for employees and supervisors to perform their job duties effectively and create an environment that promotes sound internal controls, it is essential for the entity to have an adequate chart of accounts for their general ledger system.

Condition: The general ledger chart of accounts for the School District has in excess of 60,000 different accounts and over 10,000 new accounts were added during the current fiscal year. The School District's accounting number string is segmented into the following segments:

- Fund
- Budget Unit
- Source of Funds
- Natural Account Number
- Sub Account Number
- Program Number
- Future Number (not used)

Special revenue funds are subdivided into numerous mini funds

based on the Source of Funds. We noted that considerable adjustments were necessary because initial coding was to the 0000 source of funds which is not for a specific fund.

The number of accounts payable and interfund accounts is counter productive and consequently are not accurately used.

Due to the complexity and proliferation of accounts, some accounts are not monitored at the detail level, but at an aggregated level. Consequently, numerous errors continue to accumulate and analysis is difficult.

Cause: Ineffective leadership in the Accounting Department, lack of communication between departments, lack of general ledger reconciliations, and inadequately trained employees has led to the improper use of the general ledger chart of accounts.

Effect: The failure to maintain an adequate chart of accounts has led to transactions being improperly recorded and accounts being difficult to reconcile.

Recommendation: The School District should provide financial leadership to adequately staffed and trained Accounting, Finance and Budget Departments along with general ledger training. The purpose and use of the various accounts should be re-evaluated. The access to certain account codes should be screened to restrict the number of active accounts. .

**Management's
Response:**

The chart of accounts used by the School District is based upon the structure prescribed by the Louisiana Department of Education in its Louisiana Accounting and Uniform Governmental Handbook. While improvements have been made in the preparation of journal entries by staff, finance administration will continue to be alert to opportunities to identify methods to streamline accounting for payroll withholding and other accounts, including through finalization of the cross-validation rules effort. Many of the payroll withholding accounts are required to account for employee and employer retirement and health insurance contributions, cafeteria plan options, tax sheltered annuity contributions, professional dues and involuntary deductions.

During 2004, efforts were made to solve the issue regarding the program that posts to the "0000" source of funds for interfund account entries. Initial research identified two causes: 1) lack of closing the monthly ledger (during this process, the Oracle System is programmed to generate entries to eliminate temporary entries made to assist with balancing Interfund entries); and 2) the posting instruction for daily interfund transactions had been set up in reverse. The solution to the former problem will be addressed as part of closing the ledger regularly - expected to begin in late

fiscal 2005. To solve the latter, the assistance of Oracle Support Personnel will be needed. Research discovered a program problem. Efforts to solve this problem will be resumed upon completion of the audit.

2004-13 Delinquent Submission of Audited Financial Statements

Criteria:	In accordance with Louisiana Revised Statute §24:513A. (5)(a)".. audits shall be completed within six months of the close of the entity's fiscal year."
Condition:	The audit of the financial statements was not completed within six months i.e. December 31, 2004.
Cause:	The accounting records of the School District were not timely posted, reconciled or compiled during the fiscal year. The School District was unable to provide auditors a completed trial balance until January 5, 2005. The trial balance was submitted with the understanding that several additional adjustments would be required. The audit was unable to be completed until after December 31 because: accounts payable were not compiled until late November; initial balancing of interfund payables and transfers was not done until January 2005; significant payroll withholdings were not reconciled until mid-November; special revenue grant accounts were not reconciled and adjusted until January 2005; and fixed asset detail records were not provided until January 2005 and were not reconciled to the general ledger capital outlay records. The Louisiana Compliance Questionnaire which is supposed to be provided to the auditor at the beginning of an audit was not signed until February 2005. Disclosure and budget information to be included in the financial statements was not provided until February 2005.
Effect:	The legislative auditor may audit or investigate a local auditee when the auditee has failed after thirty days written notice from the legislative auditor to comply with the provisions relating to timely audits. The School District's inability to provide audited financial statements could impact bond ratings. The inability to provide audited financial statements could impact the decisions of various granting authorities.
Recommendation:	The School District should employ a Chief Financial Officer and adequately staff the Budget, Accounting and Finance Departments. They should have final adjusted trial balances no later than September 30. In order to have accurate and reliable records they should implement all above recommendations so that the internal records during the period of audit have integrity.
Management's Response:	Significant efforts were made this year to install a process to produce timely and accurate financial information. Accounting consultants were hired to provide additional assistance. New

techniques were developed for: cash receipts and cash disbursements, cash flow reporting, accounts payable and journal entry posting. The year-end accounting process included analytical evaluation of interfund and other balance sheet accounts that had not been scrutinized in recent years.

Despite the efforts to reform the accounting process and daily staff activities, a key factor in being able to submit timely financial statements is a stable financial organization. Administration has worked hard (see responses for 2003-3, 2003-5 and 2003-10) to hire a CFO and other department head positions. During the fall of 2004, the vacant Budget Director (vacant since June 2004) was filled. The Internal Audit and Purchasing Director positions (vacant for several fiscal years) have been filled. Several attempts to hire a Risk Management Director have been unsuccessful but the search is continuing with the assistance of members of the financial community. Also, several accounting and payroll personnel positions need to be addressed, as well as the issue of outsourcing of several functions. These issues will be addressed as part of implementing the Deloitte Consulting reports (see response to 2003-1, 2003-2, 2003-8, 2003-9 and 2003-10).

Though the combination of improved financial procedures and staffing of key positions, administration believes that issuance of timely submission of financial statements by December 31 will be a reality for the fiscal year ended June 30, 2005. It is believed that this goal could have been reached for December 31, 2004, but due to the need for additional time to present the most accurate financial results possible, it was determined not to issue the financial statements until the required financial analysis was completed.

2004-14 Proper Interfund Transactions and Identification of Proper Fund

Criteria: Government officials must comply with significant legal restrictions on the use of public resources. External resource providers, such as Federal and state grantors, impose some restrictions. Other legal restrictions can arise from financing agreements. Legal restrictions are also embodied in the annual budget. In order to monitor and comply with these various restrictions, fund accounting is generally accepted in the government arena. A fund is a separate, self-balancing set of accounts used to account for resources that are segregated for specific purposes in accordance with special regulations, restrictions or limitations. Direct revenues and expenditures of funds should be recorded in the appropriate fund. Transactions between funds should be recorded according to the nature of the transaction. Temporary transfers such as when the general fund pays the bills out of a centralized cash account for the benefit of another fund are recorded as an interfund receivable by the disbursing fund and as an interfund payable by the fund recording

the expense. A permanent transfer such as when a special revenue fund spends more than its revenues and the General Fund absorbs the expense are considered transfers. Periodically, the interfund receivables and payables are settled up.

Condition: The School District has not been properly recording, reconciling and settling-up interfund transactions. The number and magnitude of the individual receivables and payables continues to expand. At June 30, 2004, there are several thousand interfund accounts. Dedicated revenues for debt service funds are not recorded directly into the fund but are recorded in the general fund and then later transfers may be made. The interfund receivable and payable accounts have several large balances and the propriety of these balances is not known as of June 30, 2004.

Cause: The Oracle automatic settling up feature is not being used. There is no ongoing reconciliation of interfund receivables and payables, and interfund transfers. There is poor communication between various departments and personnel. The original purpose and legal restrictions on various revenue sources is not being reflected by the accounting entries.

Effect: The School District may not be able to effectively monitor compliance with restrictions, regulations and limitations. The available resources of the individual funds are difficult to determine and may not be accurate. Restricted monies may not be properly designated. Cash may not be available to be spent for its dedicated purposes.

Recommendation: The purposes, restrictions, and liens for the various revenue sources including ad valorem and sales taxes and Harrah's lease revenues should be determined and documented. Restricted monies should be recorded directly into the appropriate restricted funds. Bond Counsel should be consulted on past and present compliance with bond provisions. Depending upon the restrictions, actual cash should be deposited into restricted accounts. The numerous small interfund accounts should be settled-up and eliminated. The remaining interfund accounts should be researched to determine their validity. A means of meeting the various interfund commitments should be determined. The actual restrictions, whether externally or internally imposed, should be verified for all funds.

**Management's
Response:**

During fiscal 2004, accounting staff received training on the correct method of handling interfund and other transactions. Further efforts have been made, as cited in the responses for 2003-12 and 2003-13 above, to improve the accounting in this area.

The in-depth analysis of the June 30, 2004 interfund balances should reduce the time to bring account balances up to date during fiscal 2005. Accounting consultants have begun reconciling the

interfund accounts for fiscal 2005.

Staffing recommendations in the accounting reorganization plan and the Deloitte Consulting reports are being evaluated to continue the monthly reconciliations. With the completion of the fiscal 2004 audit, efforts will begin to close monthly periods in the Oracle System, which will include the use of month-end Mass Allocation feature in the Oracle financial system. This will reduce accountant analysis time and the number of required monthly manual journal entries.

Also, the accounting consultants are developing a reports to facilitate daily verification of the status of interfund accounts basis and to identify interfund entries not including receivable and payable entries. These tools will aid in maintaining interfund balances. Implementation of this procedure is scheduled for April 2005.

2004-15 Student Activity Funds and On-Site Purchasing

Criteria: The management of student activity funds should be in accordance with sound business practices, including sound budgeting, purchasing, and accounting practices. Expenditures include all charges, paid or unpaid, made from school funds for goods or services. All expenditures should be properly authorized. Receipts must be deposited intact daily, that is daily deposits must equal receipts issued. Persons signing checks must review the supporting evidence for the disbursement and initial the supporting documents indicating his review. No monies shall be drawn on the school fund account unless the request for withdrawal of funds carries two signatures, one of which shall always be the principal's signature. The other signature shall be: (i) in the case of a request for withdrawal by an entity which has deposited pursuant to the status described in R.S. 17:414.3(B)(2)(a) and (e), an officer, member, or sponsor of the entity, designated by the entity; (ii) in the case of a request for withdrawal for the pursuit of a restricted use or purpose as described in R.S. 17:414.3(B)(2)(b), another school administrator, faculty member, or employee who is approved by the donor and is familiar with the purpose of the donation; and (iii) in the case of a request for withdrawal of money deposited pursuant to R.S. 17:414.3(B)(2)(c) or (d), any other school administrator, faculty member, or employee.

Condition: The student activity funds and on-site purchasing systems are not operating effectively, efficiently or in compliance with state guidelines. Internal investigations at the Marion Abramson Senior High School, Robert R. Moton Elementary School, Murray Henderson Elementary School, Joseph A. Hardin Elementary School, and Charles J. Colton Learning Academy resulted in several findings including:

- Lack of supporting documentation for purchases and

accounts payables

- Miscoding of disbursements
- Negotiating checks without approved check request forms
- Voided checks which could not be located
- Receipts which could not be specifically identified
- Co-mingling of student activity funds with PTA funds
- Student activity funds being used for faculty purchases
- Bank overdrafts
- Missing receipt books which document fundraising receipts
- Monies collected for fundraisers which could not be located

Cause: Orleans Parish School District is not effectively, training, monitoring and enforcing the student activity funds. There is not sufficient on site review of the activities.

Effect: The lack of adequate internal control relating to the accounts student activity funds could result in the School District or school group's assets being misappropriated or not spent for its dedicated or restricted purpose.

Recommendation: The School District should implement adequate internal controls relating to the student activity funds. On site monitoring should be increased either by the student activity accountants and/or the internal audit department. Sufficient training and resources needs to be provided to the on-site staff. All schools should have written policies and procedures available for reference at the school. The cost/ benefits of on-site purchasing should be evaluated.

Management's Response:

The Student Activity Fund (SAF) Accountant has continued to provide training programs for the school business managers. Emphasis has been placed on correcting the deficiencies cited in the fiscal 2003 audit findings. The Internal Audit Department has continued its monitoring and auditing efforts.

The Student Activity Fund Accountant provided training in August 2004 and distributed an updated SAF Procedures Manual. This manual is intended to give guidance, promote consistency and give structure to the business services performed by Business Managers/Treasurers/Itinerant Business Managers throughout the School District. This manual provides systematic and descriptive procedures for performing certain tasks. At the workshops, an updated procedure manual for the Windows Version (8.6.2) of the Manatee Accounting Software program was also distributed. In April 2004, another reinforcement review was conducted for Business Managers. This review covered the following topics on an in-depth basis:

- Audit Report and Findings (FY06/30/03) Related to SAF
- NSF Checks
- How to Record Adjustments
- Outstanding Checks over One Year Old
- Transferring of Funds
- Site-Based Purchasing Funds (Issuing Purchase Orders)

After several advertisements of the vacancy, the Internal Audit Director's position was filled in October 2004. Since that time, the director has focused efforts on reorganizing staff efforts, working with the consultants from Deloitte Consulting, developing an audit plan, assisting with revising special revenue documentation procedures and implementing audit practices to achieve improved audit results and utilization of resources.

Regarding the future of the Site-Based Purchasing option, which is utilized by approximately 50 schools (slightly over 40%), an evaluation to determine future use will be done after the external audit and will include consideration of the comments regarding its use, as outlined in the Deloitte Consulting Report.

C. Findings – Single Audit OMB Circular A-133 Findings and Questioned Costs

2004-16 Disbursement Support

Federal program and specific Federal award identification:

10.553, 10.555, 10.559 - Child Nutrition Cluster
84.010A - Title I, Part A - Grants to Local Educational Agencies
84.367A - Title II, Part A - Teacher and Principal Training and Recruiting Fund
84.027A, 84.173A - Special Education Cluster
93.558 - Temporary Aid to Needy Families

Criteria: Only actual costs incurred can be charged to a program (OMB Circular A-87 and the OMB A-133 Compliance Supplement).

Condition: Of the 40 expenditures tested for each of the programs above, the supporting documentation for at least one expenditure of each program could not be located in the Accounts Payable Department. In addition, at least one expenditure for Title I, Title II, and TANF was paid prior to receipt of the goods as “cash in advance” and proper documentation was not obtained by the Accounts Payable Department. Alternative documentation was provided by the Child Nutrition and Special Education program personnel. No alternative documentation was provided by the Title I, Title II, and TANF programs.

Questioned Costs: Title I – \$699,808
Title II – \$8,490
TANF - \$90,615

Cause: The School District failed to obtain and/or maintain proper documentation to support expenditures.

Effect: The School District is in violation of the provisions of OMB Circular A-87.

Recommendation: The Program personnel should comply with the provisions of OMB Circular A-87. Supporting documentation should be obtained for all program charges and maintained on file in the School District’s accounts payable department.

Management’s Response: During fiscal 2004 and 2005, School District Management has increased its efforts to ensure that proper documentation of

evidence of receipt of goods and services is obtained and maintained for all purchases.

Efforts to improve documentation and processing controls have included: 1) Advertisement to hire a Accounts Payable Supervisor, a position which has been filled for several years on an interim basis; 2) Joint meetings between Accounts Payable, Purchasing, external funded programs and other department heads to promote understanding that proper documentation must be submitted for purchases; 3) Development and distribution to accounts payable staff members written payment processing procedures that outline documentation requirements for processing payments, and 4) Increased emphasis on maintaining the integrity of Accounts Payable files and out guides for file removals to copy information needed for reimbursement requests and auditing purposes.

In accordance with the recommendations in the Deloitte Consulting Report, other changes are being planned to improve payables controls and operations.

2004-17 Suspension and Disbarment

Federal program and specific Federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies
84.367A - Title II, Part A - Teacher and Principal Training and Recruiting Fund
84.027A, 84.173A - Special Education Cluster
93.558 - Temporary Aid to Needy Families

Criteria:	In accordance with A-102 Common Rule, contractors receiving individual awards for \$100,000 or more must certify that the organization and its principals are not suspended or debarred.
Condition:	No certifications were obtained from contractors for procurements for the Title I, Title II, Special Education, and TANF programs for procurements prior to January 2004.
Questioned Costs:	Questioned costs, if any, cannot be determined.
Cause:	The Procurement Department did not implement suspension and debarment certifications until January 2004.
Effect:	The School District is in violation of the provisions of A-102 Common Rule.
Recommendation:	The Procurement Department should comply with the provisions of A-102 Common Rule.
Management's Response:	Effective March 2004, the Purchasing Department implemented a

procedure to obtain the required certification. The certification is included with all requests for bids that exceed \$100,000, regardless of source of funding.

2004-18 Employee Classification

Federal program and specific Federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies
84.367A - Title II, Part A - Teacher and Principal Training and Recruiting Fund
84.027A, 84.173A - Special Education Cluster
93.558 - Temporary Aid to Needy Families

Criteria: Only actual costs incurred can be charged to a program (OMB Circular A-87 and the OMB A-133 Compliance Supplement).

Condition: Of the 40 employees tested for each of the programs above, two employees for Title I, two employees for Title II, one employee for Special Education and one employee for TANF should not have been charged to the program and the charges for these employees were not transferred on the general ledger to the appropriate program or to the general fund. However, these employees were removed from the requests for reimbursement. Therefore, there are no questioned costs associated with these employees.

Questioned Costs: No questioned costs identified.

Cause: Certain employees are not properly coded to federal or non federal programs. The School District's costing process automatically posts payroll charges to the respective programs. Proper controls are not in place to ensure that these entries are correct.

Effect: The School District's General Fund absorbs these expenses which are not being reimbursed resulting in cash flow difficulties for the General Fund.

Recommendation: The School District should implement the proper controls necessary to ensure that payroll charges are coded to the correct programs.

Management's
Response:

Prior to submission to the State Department of Education, all reimbursement requests are now being reviewed by program managers for verification of personnel charges. During fiscal 2004, there was increased emphasis on incorrect charges being corrected in the general ledger on a timely basis. This focus on improving the accuracy of charges is being stressed to a high level in fiscal 2005.

Also, significant changes are being made to strengthen the processes for the classification of employees. The changes

include reorganization of the administrative and fiscal oversight by program managers and strengthening of the accounting for externally funded programs. A Grants Accounting Supervisor has been appointed to supervise the proper accounting for all externally funded programs. Additional efforts are being made to ensure adherence to State Department of Education guidelines and regulations. Also, bi-weekly meetings among Budget, Human Resources, Special Revenue Accounting and management of externally funded programs will be held in order to address any needed salary charge code corrections.

These changes reflect a combination of process changes identified by School District Management and the recommendations in the Deloitte Consulting Report.

2004-19 Requests for Reimbursement

Federal program and specific federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies
84.367A - Title II, Part A - Teacher and Principal Training and Recruiting Fund
84.027A, 84.173A - Special Education Cluster

Criteria: As required by the OMB A-133 Compliance Supplement, requests for reimbursement from federal and state agencies should be accurate and complete and should agree with accounting records.

Condition: Of the 3 requests for reimbursement tested for Title I, one of the requests contained errors when comparing the request amount to supporting documentation. Of the 3 requests for reimbursement tested for Title II, two of the requests contained errors when comparing the request amounts to supporting documentation. Of the 3 requests for reimbursement tested for Special Education, all of the requests contained errors when comparing the request amounts to supporting documentation.

Cause: Requests for reimbursement were not reviewed and compared to the supporting documentation prior to submission.

Effect: Based on the erroneous requests for reimbursement, the state agency either overpays the School District resulting in a liability to the state or underpays the School District resulting in the absorption of these expenses by the General Fund.

Recommendation: The School District should ensure that requests for reimbursement are reviewed and compared to the supporting documentation prior to submission to the State.

Management's Response: Specific procedures will be developed and implemented by the new Grants Accounting Supervisor and staff accountants to

ensure the quality and accuracy of reimbursement requests. In particular, the preparation of all reimbursement requests will include a procedure to balance expenditures for which reimbursement is requested to the general ledger, prior to submission of the reimbursement request to the State Department of Education.

2004-20 Authorized Expenditures

Federal program and specific Federal award identification:

84.027A, 84.173A - Special Education Cluster

Criteria: Only authorized costs incurred can be charged to a program (OMB Circular A-87 and the OMB A-133 Compliance Supplement).

Condition: Of the 40 expenditures tested, two (2) expenditures were made for the summer school program and were not included in the budget approved by the State of Louisiana Department of Education.

Questioned Costs: \$223,550

Cause: The School District failed to include the summer school program expenditures in the budget submitted to the State of Louisiana Department of Education for approval.

Effect: The School District is in violation of the provisions of OMB Circular A-87.

Recommendation: The Program personnel should comply with the provisions of OMB Circular A-87. Supporting documentation should be obtained for all program charges and maintained on file.

Management's

Response: Since there was a lack of external approval of these summer school supply expenditures, communication will be made to the fiscal unit in the Consolidated Programs Department, to emphasize the necessity for approval of all budget line items by the State Department of Education.

2004-21 Employee Certifications

Federal program and specific Federal award identification:

10.553, 10.555, 10.559 - Child Nutrition Cluster

Criteria: OMB Circular A-87, item h, subpart 4, requires that for employees working on a sole single Federal award, support in the form of periodic certifications be maintained which documents that the employees worked solely on that program for the period covered by periodic certifications. These certifications should be prepared at least semi-annually and be signed by the employee or

supervisory official having first hand knowledge of the work performed by the employee. For employees working on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documentation which meets the standards defined in the Circular; at a minimum, the reports should be made at least monthly.

Condition: Most of the certifications performed for July 1 to December 31, 2002 and for January 1 to June 30, 2003 were signed in advance of the periods indicating that the employees had worked on the program.

Cause: The Program personnel had knowledge of the requirements but did the certifications in advance.

Effect: The School District is in violation of the provisions of OMB Circular A-87.

Recommendation: The Program Director should comply with the provisions of OMB Circular A-87.

Management's Response: Management in the Child Nutrition Department has reviewed its process flow and has implemented certification procedures in accordance with OMB Circular A-87. Follow-up processes have been designed relative to receiving and submitting certifications for all employees, including terminated and retired employees. For fiscal year 2003-04, management of the Child Nutrition Department established procedures to ensure that all employees that were on leave or terminated their employment prior to certification were accounted by the cafeteria manager or field supervisor of the employee.

2004-22 Disbursement Support

Federal program and specific Federal award identification:

10.553, 10.555, 10.559 - Child Nutrition Cluster

Criteria: Only actual costs incurred can be charged to a program (OMB Circular A-87 and the OMB A-133 Compliance Supplement).

Condition: Of the 40 expenditures tested, the supporting documentation for one expenditure did not include proper support for the total check amount.

Questioned Costs: \$1,632

Cause: The School District failed to obtain and/or maintain proper documentation to support expenditures.

Effect: The School District is in violation of the provisions of OMB Circular A-87.

Recommendation: The School District personnel should comply with the provisions of OMB Circular A-87. Supporting documentation should be obtained for all program charges and maintained on file in the School District's accounts payable department.

Management's Response: The Management Response for Finding 2004-16 details the considerable efforts (new training manual, advertisement for an appointed regular supervisor, file room controls, meetings with Purchasing and other departments) that were devoted in fiscal 2004 to improve the assurance that all expenditures are properly documented. Additional improvements to the control environment and payable processing will be implemented through the recommendations in the Deloitte Consulting Report. In addition, Child Nutrition Management affirms its understanding of the provisions of OMB Circular A-87. As a backup, the Child Nutrition Department maintains copies of all supporting documentation that have been submitted to the Accounts Payable Department. If needed, that alternative documentation can be provided by the Child Nutrition financial staff.

2004-23 Stipend Documentation

Federal program and specific Federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies
 84.367A - Title II, Part A - Teacher and Principal Training and Recruiting Fund

Criteria: Only actual costs incurred can be charged to a program (OMB Circular A-87 and the OMB A-133 Compliance Supplement).

Condition: The School District did not provide supporting documentation requested by the auditors for stipends paid to Title I and Title II personnel.

Questioned Costs: Questioned costs, if any, cannot be determined.

Cause: The School District failed to maintain and/or provide proper documentation to support the stipend payments.

Effect: The School District is in violation of the provisions of OMB Circular A-87.

Recommendation: The Program personnel should comply with the provisions of OMB Circular A-87. Supporting documentation should be obtained for all program charges and maintained on file in the School District's accounts payable department.

Management's
Response:

Accounting processes for externally funded programs have been reviewed on an in-depth basis by Management and through the Deloitte Consulting project. Under the direction of the newly appointed Grants Accounting Supervisor and with the collaboration of the Accounts Payable and Payroll Supervisors, procedures are being implemented to ensure that the proper documentation, including for stipends, is being maintained and available to support payments and requests for reimbursement.

2004-24 Employee Certifications

Federal program and specific Federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies

Criteria:

OMB Circular A-87, item h, subpart 4, requires that for employees working on a sole single Federal award, support in the form of periodic certifications be maintained which documents that the employees worked solely on that program for the period covered by periodic certifications. These certifications should be prepared at least semi-annually and be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. For employees working on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documentation which meets the standards defined in the Circular; at a minimum, the reports should be made at least monthly.

Condition:

Certifications performed for July 1 to December 31, 2003 were observed for 28 of 36 valid employees employed during that time period. One of the employees resigned prior to the end of the period; however, the remaining seven missing certifications were not returned by the employees.

Certifications performed for January 1 to June 30, 2004 were observed for 34 of 36 valid employees employed during that time period. The two missing certifications were not returned by the employees.

Cause:

The Program personnel had knowledge of the requirements but did not follow up on certifications not returned by employees.

Effect:

The School District is in violation of the provisions of OMB Circular A-87.

Recommendation:

The Program Director should comply with the provisions of OMB Circular A-87.

Management's
Response:

Administration of the School District's externally funded

programs is handled through the Consolidated Programs Department. Recently, responsibility for this unit was placed under an experienced external programs director. Under the supervision of the new executive director, administrative processes, such as the proper semi-annual completion of certification forms by all staff members and confirmation by officials having first hand knowledge of the work performed, are being reviewed and redesigned by the fiscal unit within the Consolidated Programs Department.

2004-25 Employee Certifications

Federal program and specific Federal award identification:

84.367A - Title II, Part A – Teacher and Principal Training and Recruiting Fund

Criteria: OMB Circular A-87, item h, subpart 4, requires that for employees working on a sole single Federal award, support in the form of periodic certifications be maintained which documents that the employees worked solely on that program for the period covered by periodic certifications. These certifications should be prepared at least semi-annually and be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. For employees working on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documentation which meets the standards defined in the Circular; at a minimum, the reports should be made at least monthly.

Condition: Two of the 20 certifications for July 1 to December 31, 2003 were signed in October 2003 indicating that the employees have worked on the program.

Certifications performed for January 1 to June 30, 2004 were observed for 19 of 22 valid employees employed during that time period. Two of the employees resigned prior to the end of the period; however, the remaining missing certification was not returned by the employee.

Cause: The Program personnel had knowledge of the requirements but did some of the certifications in advance and did not follow up on certifications not returned by employees.

Effect: The School District is in violation of the provisions of OMB Circular A-87.

Recommendation: The Program Director should comply with the provisions of OMB Circular A-87.

Management's Response: Administration of the School District's externally funded

programs is handled through the Consolidated Programs Department. Recently, responsibility for this unit was placed under an experienced external programs director. Under the supervision of the new executive director, administrative processes, such as the proper semi-annual completion of certification forms by all staff members and confirmation by officials having first hand knowledge of the work performed, are being reviewed and redesigned by the fiscal unit within the Consolidated Programs Department.

2004-26 Employee Certifications

Federal program and specific Federal award identification:

93.558 - Temporary Aid to Needy Families

Criteria: OMB Circular A-87, item h, subpart 4, requires that for employees working on a sole single Federal award, support in the form of periodic certifications be maintained which documents that the employees worked solely on that program for the period covered by periodic certifications. These certifications should be prepared at least semi-annually and be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. For employees working on multiple activities or cost objectives, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documentation which meets the standards defined in the Circular; at a minimum, the reports should be made at least monthly.

Condition: Certifications performed for July 1 to December 31, 2003 were observed for 28 of 33 valid employees employed during that time period. One of the employees resigned prior to the end of the period, two of the certifications were not returned by the employees, and two of the certifications were not requested from the employees.

Certifications performed for January 1 to June 30, 2004 were observed for 27 of 31 valid employees employed during that time period. The two missing certifications were not returned by the employees. Two of the certifications were not returned by the employees and two of the certifications were not requested from the employees.

Cause: The Program personnel had knowledge of the requirements but did not request certifications from employees or did not follow up on certifications not returned by employees.

Effect: The School District is in violation of the provisions of OMB Circular A-87.

Recommendation: The Program Director should comply with the provisions of OMB Circular A-87.

Management's
Response:

Administration of the School District's externally funded programs is handled through the Consolidated Programs Department. Recently, responsibility for this unit was placed under an experienced external programs director. Under the supervision of the new executive director, administrative processes, such as the proper semi-annual completion of certification forms by all staff members and confirmation by officials having first hand knowledge of the work performed, are being reviewed and redesigned by the fiscal unit within the Consolidated Programs Department.

2004-27 Disbursement Support

Federal program and specific Federal award identification:

84.367A - Title II, Part A -- Teacher and Principal Training and Recruiting Fund

Criteria: Only allowable costs incurred can be charged to a program (OMB Circular A-87 and the OMB A-133 Compliance Supplement).

Condition: Of the 40 expenditures tested, the supporting documentation for two expenditures included charges that are not allowable under this grant.

Questioned Costs: \$2,541

Cause: The School District expended funds for purposes that are not allowed under this grant.

Effect: The School District is in violation of the provisions of OMB Circular A-87.

Recommendation: The School District personnel should be provided with adequate training in order to comply with the provisions of OMB Circular A-87.

Management's
Response:

During fiscal 2004 and 2005, School District Management has increased its efforts to ensure that proper documentation of evidence of receipt of goods and services is obtained and maintained for all purchases.

Efforts to improve documentation and payment processing controls have included: 1) Advertisement to hire a Accounts Payable Supervisor, a position which has been filled for several years on an interim basis; 2) Joint meetings between Accounts Payable, Purchasing, external funded programs and other department heads to promote understanding that proper documentation must be submitted for purchases; 3) Development and distribution to accounts payable staff members written

payment processing procedures that outline documentation requirements for processing payments, and 4) Increased emphasis on maintaining the integrity of Accounts Payable files and out guides for file removals to copy information needed for reimbursement requests and auditing purposes.

In accordance with the recommendations in the Deloitte Consulting Report, other changes are being planned to improve payables controls and operations.

2004-28 Submission of Budget Revisions

Federal program and specific Federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies
84.367A - Title II, Part A – Teacher and Principal Training and Recruiting Fund

Criteria: Budget revisions should be submitted within a reasonable time period after notification of grant awards or supplemental awards.

Condition: The budget revisions for supplemental awards for Title I and Title II were not submitted for approval from the State until over six months after notification of the supplemental awards.

Questioned Costs: None

Cause: The School District does not have enough personnel to prepare and submit all budget revisions in a timely manner.

Effect: The School District's requests for reimbursement are not approved timely by the State resulting in cash flow difficulties for the School District.

Recommendation: The School District should be provided with the adequate personnel to timely prepare and submit budget revisions.

Management's Response: Administration of the School District's externally funded programs is handled through the Consolidated Programs Department. Recently, responsibility for this unit was placed under an experienced external programs director supervisor that is familiar with the School District's current processes and challenges in this area. Under the supervision of the new executive director, administrative processes, such as timely submission of budget revisions, are being reviewed and redesigned by the fiscal unit within the Consolidated Programs Department. Changes in the administrative processes also consider the recommendations in the recently released Deloitte Consulting Report.

2004-29 Journal Entry Support

Federal program and specific Federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies
84.367A - Title II, Part A – Teacher and Principal Training and Recruiting Fund

Criteria: Only actual costs incurred can be charged to a program (OMB Circular A-87 and the OMB A-133 Compliance Supplement).

Condition: Of the 5 journal entries tested for each of the programs above, the supporting documentation for one journal entry for each program could not be located by School District personnel.

Questioned Costs: \$13,701

Cause: The School District failed to obtain and/or maintain proper documentation to support expenditures.

Effect: The School District is in violation of the provisions of OMB Circular A-87.

Recommendation: The School District personnel should comply with the provisions of OMB Circular A-87. Supporting documentation should be obtained for all program charges and maintained on file.

Management's Response: In January 2004, Management took steps to improve the journal entry process and documentation. The process of numbering, reviewing and filing journal entries was revised to improve internal controls by the following action: 1) Implementing a chronological log for journal entry number issuance; 2) Limiting the authorized persons eligible to post a journal entry; 3) Assigning responsibility for review of entries for proper documentation, and 4) Instituting controls over removal of journal entries from the files.

2004-30 Estimated Salaries

Federal program and specific Federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies

Criteria: Only actual costs incurred can be charged to a program (OMB Circular A-87 and the OMB A-133 Compliance Supplement).

Condition: Estimations were used for one reimbursement request due to costing of payroll not being done on a timely basis.

Questioned Costs: Questioned costs, if any, cannot be determined.

Cause: Salaries and benefits on reimbursement requests were estimated for one period because salaries were not properly classified and

recorded timely. There appears to be a serious deficiency in the controls over coding of salaries and benefits to the program.

Effect: The School District did not properly request reimbursement for the salaries. It cannot be determined whether the salaries were overestimated or underestimated.

Recommendation: The personnel assigned to Federal programs should have salary expense coding verified. When employees are transferred in and out of the programs, the salary expense coding should be changed immediately. Payroll should be posted promptly into the general ledger. Salaries should be billed on an actual basis. If estimates are used, the estimates should be compared to actual expenditures and adjusted on the next reimbursement request.

Management's Response: Management has taken action to eliminate the need to request reimbursements on an estimated basis. An accountant has been designated to handle the payroll posting (costing) process. Unlike prior fiscal years, with few exceptions, the posting of salaries in fiscal 2004 and 2005 through the Payroll Costing process has been handled on a current basis.

Additionally, with consideration of the recommendations in the Deloitte Consulting Report, the Special Revenue Accounting staffing and procedures are being strengthened to ensure that only proper costs are charged to externally funded programs. Recently, a supervisor of Special Revenue Accounting was appointed to ensure adherence to and increase effectiveness of staff accounting efforts.

The Payroll Costing process, which consists of a review and correction (as necessary) of payroll transactions and budget codes prior to posting to the general ledger, is integral to producing the salary accounting data for financial reporting and submission of reimbursement requests.

2004-31 Maintenance of Effort Calculation

Federal program and specific Federal award identification:

84.010A - Title I, Part A - Grants to Local Educational Agencies

Criteria: As required by the OMB A-133 Compliance Supplement, the amounts used in the maintenance of effort calculation should be derived from the books and records from which the audited financial statements were prepared.

Condition: The deadline for the submission of the maintenance of effort calculation was prior to the date that the audited financial statements were issued; therefore, the Annual Financial Report for 2002-2003 was used in the calculation. However, some of

the amounts in the calculation did not agree to the Annual Financial Report submitted to the State for 2002-2003.

Questioned Costs:	Questioned costs, if any, cannot be determined.
Cause:	The cause for the differences cannot be determined.
Effect:	Some of the amounts used in the maintenance of effort calculation cannot be substantiated.
Recommendation:	The School District should ensure that the amounts used in the maintenance of effort calculation are properly supported.
Management's Response:	Management recognizes the need and importance of maintaining proper care and documentation to support the expenditures and accuracy of the Title I Maintenance of Effort Report. The procedures to prepare this report have been reviewed and proper controls will be implemented to ensure accurate information from the Annual Financial Report (AFR) is reported on the Title I Maintenance of Effort Report.

**ORLEANS PARISH SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

REFERENCE # AND TITLE: 2003-1 Human Resources and Payroll

MANAGEMENT'S RESPONSE:

A. Summary of Efforts to Improve Operations and Controls

Upon the receipt of last year's audit report and findings, a Corrective Action Plan was developed. Also, a Corrective Action Plan (CAP) Task Force was formed. The CAP Task Force (Task Force) included the Superintendent, the newly hired Chief Financial Officer (CFO) along with representatives from Internal Audit, the Greater New Orleans Education Foundation, Bruno & Tervalon LLP (B&T), accounting consultants, and the Legislative Auditor's Staff.

The purpose of the CAP Task Force was to assist with resolving the internal control and accounting shortcomings outlined in the audit findings. Since April 2004, the CAP Task Force met regularly, usually two times per month. More recently, with the receipt of the Deloitte Consulting Report, Management has been preparing to select a project manager to implement the report's recommendations.

Recently, after a search process, a new Payroll Supervisor was hired. Additionally, to improve communications, a HR/Payroll Task Force was created to improve communications between both departments.

In addition to the above efforts, several methods were used to develop the refinements needed in payroll timeliness, accuracy and controls. These included:

- 1) A study of payroll operations by two consultants that had an extensive background working for companies with large payroll shop operations was commissioned by the new CFO.
- 2) With the financial assistance of the Greater New Orleans Education Foundation, Deloitte Consulting was hired to perform an operations review of human resource, payroll and accounts payable operations. A separate operations audit was mandated by Act 193 of the 2004 Legislative Session. After a competitive bid process, this audit was awarded to Deloitte Consulting. The purpose of the audit was to review the effectiveness of a number of departments, including human resources and payroll to determine whether these functions should be retained internally or outsourced. The results of the operations review and the operations audit (referred to as the "180-Day Report") were released in December 2004 and are being analyzed.
- 3) A sub committee of the CAP Task Force was formed to address a broad range of payroll issues, including the duplicate check problem and overall controls. It included members from the

human resources, payroll, internal audit and information technology (IT) departments, the Legislative Auditor's staff and B&T.

4) System enhancements, available through the upgrade to Oracle Release 11i, have served to assist improvement plans in the human resource/payroll processes. For instance, currently, Oracle alerts are sent to the payroll department each time an employee termination occurs.

Through the CAP Task Force, the sub committee and input from the consultants, an emphasis was placed on improved communication and verification of employee existence by school and department heads as well as reengineering paycheck printing and distribution through the following measures:

1) Implementation of a Biometrics on a Pilot Basis

To improve accuracy and efficiency with collecting time worked of employees, a new method was implemented in sixteen schools and eight departments on a pilot basis in spring 2004. Under this method, which enables the School District to decentralize the time entry process, each employee's fingerprint is stored electronically. When the employee reports to/departs from work, the employee registers the time of arrival/departure using a terminal to imprint his/her finger print. The system reads the fingerprint and produces reports to summarize attendance. Effectiveness of this system is being evaluated, and if evaluated functionally accurate and acceptable, will be implemented in all schools and departments for fiscal 2006.

2) Requiring Employees to Show Identification and Sign for their Paychecks

3) Improved Procedures for Check Issuance and Check Printing

Near the end of the 2003-04 fiscal year, new procedures and separate Checks Issued Logs were implemented for the three (3) check types (Regular, Quick Pay and Garnishment).

Check printing is now witnessed by a cash management representative and the new logs eliminate the possibility of duplicate check numbers.

4) Installation of a Payroll Distribution Center at the OPSB Almonaster Service facility.

This office was opened in August 2003 to facilitate the receipt of rosters certified by principals and to handle returned paychecks.

5) Separation of Paycheck Distribution from the Payroll Staff Members.

In August 2004, selected employees from cash management, accounting and IT were chosen to handle the paycheck distribution. Paychecks are distributed using secured bags.

6) Institution of a Separate Group for Returned Paychecks Not Claimed on Payday.

In August 2004, another non-payroll group, primarily cash management and accounting department staff members, were assigned the responsibility for receiving and logging-in of paycheck returns.

7) Returned Paychecks

Paychecks not claimed on payday are logged-in and the information is forwarded to human resources to determine the employment status of the payee.

8) Use of Temporary Accounting Consultants

To supplement the human resource and payroll department staffing, several consultants with payroll background were assigned to assist School District staff with development and implementation of new procedures.

Documentation for each of these changes was submitted with the review of internal controls.

B. Position Control - Verification of Employees Charged to Each Budget Unit

In conjunction with the budget process, the CFO directed a person-by-person manual verification of the persons charged to each budget unit. This effort was in place of "going live" with the position control software.

Based upon existing staffing and implementation issues surrounding the position control module, it was reported and decided at the task force meetings that the position control module was not ready for use. It was agreed to re-schedule full implementation after other payroll control issues were resolved and the filling of several finance positions.

C. Cross Validation Rules

Because of the Budget Director's resignation in June 2004, completion of the cross-validation rules update was postponed until spring 2005. A new director was appointed in October 2004. However, the new Budget Director's initial efforts have been geared toward resolving fiscal 2004-05 budget adoption issues, understanding the fiscal effect of Act 193 of the 2004, and acquiring a command of the Oracle System.

D. Payroll Bank Account Reconciliation

In April 2004, one of the first actions of the Task Force was to appoint B&T to handle the payroll bank reconciliations. While the accounting staff had made some progress toward determining the monthly outstanding checks, reassignment of duties within the staff limited staff availability to complete the reconciliations. Reconciliations were completed for each of the twelve (12) months, and fiscal 2004-05 reconciliations are in progress.

E. Payroll Costing/Distribution

Payroll Costing/Distribution involves a pre-posting review of the payroll information produced from the check registers to determine existence of invalid account combinations. In prior years, completion of this process and posting of the payroll has not been timely and lagged by several months. During fiscal 2003-04, there was a significant improvement in the timeliness of the costing process and payroll postings as the lag time was generally reduced to a week to ten days after the payroll run. This was made possible through designation of the costing/distribution to a designated accountant. To improve the ability to track payroll run postings to the general ledger, a goal is to post each payroll separately rather than by payrolls occurring within a time period.

Person responsible for corrective action:

Dr. Ora Watson
Interim Superintendent
New Orleans Public Schools
3510 General de Gaulle Drive
New Orleans, Louisiana

Telephone: (504) 304-5702
Fax: (504) 309-5345
Email: ora_watson@nops.k12.la.us

Anticipated completion date: Ongoing

REFERENCE # AND TITLE: 2003-2 Accounts Payable Disbursements

For fiscal 2003-04, improvement initiatives focused around the following areas:

A. Development of an Accounts Payable Procedure Manual

Using the input of staff and consultants, a Procedure Manual was developed. The manual serves several purposes, including:

- 1) Outlines step-by-step procedures for processing vendor invoices and employee reimbursements for travel and other minor purchases.
- 2) Provides a training manual for new staff on the Oracle accounts payable module and assures documentation for purchases of goods and services, through collection of receiving reports and other documentary support.
- 3) Guides staff in generating check registers from the Oracle System, providing assurance of check register balancing and required supporting documents.

B. Balancing the Supporting Ledger to the General Ledger

For fiscal 2003-04 year-end reporting, significant effort was placed on analyzing the subsidiary payables ledger and balancing it to the general ledger. In November 2004, the vacant Purchasing Director's position was filled. Plans are being made to implement a monthly review of the detail outstanding purchase order and invoice files to assure that only valid encumbrances and invoices are recorded in the general ledger.

C. Advertisement for Accounts Payable Supervisor

The School District is currently in the process of selecting an accounts payable supervisor. This position has been filled on a temporary basis for a substantial period of time. In the meantime, a consultant has been assigned to work with the accounts payable department to improve operations.

D. Deloitte Studies: Operations Review and "180-Day Report"

In early summer 2004, Deloitte Consulting was contracted to conduct an operations review of the accounts payable department to determine solutions for problem areas and assess the effectiveness of Oracle's accounts payable module. Subsequently, passage of Act 193 by the

Louisiana State Legislature added a mandate that an operations audit of certain departments be evaluated within 180 days to develop an assessment whether operations should be outsourced or retained in-house. Deloitte Consulting issued a draft report in December 2004. The results of the two studies and their recommendations are currently being reviewed.

E. Tracking and Handling of Old Outstanding/Voiced Checks

The School District has implemented a practice of reclassifying checks outstanding for over one year to an unclaimed property account. An analysis is made which includes contacting the payee, as necessary, to determine if the reclassified checks should be voided or reissued to the payee. During fiscal 2004-05, the accounting staff will notify the accounts payable supervisor when checks are outstanding for over ninety (90) days.

F. Control of Supporting Documents

During fall of 2004, a project was instituted to improve control of supporting documents. The accounts payable check copy files were reorganized and a new system installed to control documents, including those shipped to off-site storage.

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REFERENCE # AND TITLE: 2003-3 Reconciliations

In January 2004, the School District administration began efforts to rectify the problems with reconciliations of various accounts. To a large extent, resolution or initiation of efforts to resolve some of the problems required additional resources, whether internal or external (such as consultants).

A. Initiatives to Provide Required Staffing

In April 2004, a Chief Financial Officer (CFO) was hired. Prior to hiring, the CFO was involved with the development of the Corrective Action Plan.

In May 2004, the School Board hired accounting consultants to assist with accounting and other functions until additional in-house staff could be hired or an outsourcing decision made. The consultants were assigned to assist with bringing monthly postings and reconciliations up to date in various areas, including cash accounts, interfund accounts, accounts payable, payroll withholding and other accounts.

During the summer and fall of 2004, the School District advertised to fill several key department positions. These efforts culminated in the hiring of a Purchasing Director (October), Budget Director (November - this position became vacant in June 2004) and Risk Management Director

(March 2005). Interviews have begun to hire an Accounts Payable Supervisor, a position that has been filled on an interim basis for several fiscal years. Unfortunately, the CFO position became vacant in March 2005 and the position has been advertised.

As recommended in the *Deloitte Consulting Report*, a proposed re-organization of the Finance Department is being implemented. The plan includes hiring personnel where needed, such as Controller, Administrator of Accounting, General Ledger Supervisor and Grants Accounting Supervisor.

B. Improvements in Reconciliations

1) Bank Accounts

In recent fiscal years, accounting entries for payroll had not been posted timely to the general ledger, which prevents monthly reconciliation of accounts. During the second half of fiscal 2004, the CFO used the Budget Director and an internal audit staff member to ensure payroll transactions were posted regularly.

In January 2004, procedural changes and work reassignments were made to improve internal controls and perform reconciliations. Efforts began to perform monthly reconciliation of the payroll account. In May, monthly bank reconciliations for the worker's compensation and other accounts were initiated. Accounting consultants monitored the reconciliation of bank accounts.

Prior to the end of the fiscal year, an Oracle consultant was hired to review and determine the changes needed to reactivate the Oracle cash management module. During fiscal 2005, the School District plans to implement bank reconciliation of major accounts using this module.

2) Payroll Withholding Accounts

Reconciliation payroll withholding accounts was assigned to consultants and all accounts were analyzed and balanced for year-end close; a small number of optional withholding accounts had unresolved balances, and because of time limitations were noted for future resolution.

3) Special Revenue Accounting

With the payroll posted regularly, this enabled the special revenue accountants to identify and correct posting errors on a more current basis.

4) Accounts Payable and Encumbrances

Monthly reconciliations of accounts payable and encumbrances were not performed during the fiscal year. However, the consultants and staff reconciled the payables ledger after an intensive review of account balances and pending invoices. Encumbrances were also analyzed by School District accountants. With the participation and assistance of the newly hired purchasing director and purchasing department staff members, plans have been made to clean-up and delete any old purchase orders and invoices on the payables system.

5) Outstanding Checks Greater than One-Year Old

A special account was created to control and resolve old, outstanding checks. A team consisting of consultants and in-house staff was assembled to research these checks and determine appropriate resolution. This task encompasses checks issued from the operating, payroll and worker's compensation accounts.

6) Current Audited Financial Statements

The Cash Manager has been assigned to handle this task. Acquisition of the audited financial statements will be added to an *Operations Checklist*.

7) Inactive Bank Accounts

During the past year, the list of bank accounts was reviewed and updated; one account was closed. Staff has been instructed to eliminate all unnecessary accounts.

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REFERENCE # AND TITLE: 2003-4 Segregation of Duties - Cash and Investments

In January 2004, while the complete finance reorganization plan was not implemented, the School District did segregate the responsibilities related to the custody, recording and reconciliation of cash and investment accounts. Additionally, the accountant responsible for bank reconciliations was reassigned and began reporting directly to the CFO. The accounting consultants monitored the bank reconciliation function. Effective April 2004, the bank reconciliation accountant provided the CFO with a monthly schedule of cash accounts, including account balances and reconciliation status.

Additionally, a procedure was implemented whereby transfers between bank accounts must now be approved in writing by authorized bank account signatories, and the cash manager can no longer post entries on the ledger.

Going forward, plans are to further revise operations and provide key positions as recommended in the *Deloitte Consulting Report*. An interim Administrator of Accounting has been appointed and the selection process is in progress for a General Ledger Supervisor. When these positions are filled, staff will be available to monitor the current status of bank accounts and ledger balances.

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REFERENCE # AND TITLE: 2003-5 Interim Financial Reporting and Budget Monitoring

To improve the timeliness of recording and posting accounting information, partial staff reorganization was implemented in January 2004. Upon receipt of the fiscal 2003 audit adjustments, the entries were posted to the ledger in March 2004. The CFO position was filled in April 2004. Interim financial reports were implemented; however, regular monthly reporting was postponed due to the June 2004 resignation of the Budget Director. Also, in December 2004, the CFO was reassigned to another position, and one of the consultants was appointed as interim CFO. The CFO position has been advertised.

The current accounting staff was evaluated as part of the operational performance review by Deloitte Consulting. The recommendations in their report have been incorporated in the 180-Day Plan to provide better skilled and qualified personnel.

In addition, Act 193, passed by the Louisiana Legislature, granted additional powers to the Superintendent. Some portions of the act have required interpretations as to the superintendent's responsibility to budget changes as well as hiring and spending authority. The School Board approved a revised budget at its January 2005 business meeting. Also, the budget director has worked with an Oracle consultant to improve the budgetary reporting documents which will be a key tool in interim financial reporting, including distribution of reports reflecting budget variances.

Interim financial statements are scheduled to begin in April 2005, upon completion of the 2004 audit of the financial statements of the School District.

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REFERENCE # AND TITLE: 2003-6 Oracle Software/Training

During fiscal 2004, a number of milestones were met as it relates to training staff with Oracle software. The Oracle 10.7 application was upgraded to 11i. Departments participated in the upgrade project. A number of training opportunities were afforded to staff in the central office and school sites by Information Technology (IT) Division staff, Oracle consultants, and financial staff.

In addition, the IT Division developed a re-organization plan, which was approved in October 2003. Five teams were established: student information services (student data, training), information services (help desk training), networks services (infrastructure, hardware/Software), management information services (applications, training, reporting), and telecommunication services (telephones, infrastructure, hardware).

Among the training efforts provided during the fiscal year were the following:

1) Oracle Release 11i Implementation and Training

During the implementation, training was providing to module users by the Oracle and the School District's project team. This training included module set-up, module functionality, workflows, and reporting. Utilizing personnel from the management applications and information services teams, manuals were developed and additional training was provided to functional areas. Business applications has module assigned functional/technical personnel to resolve technical assistance request and provide one- on-one training to all personnel within their respective modules.

2) Procurement Training

Management applications and network services teams reviewed the process options with the procurement module and set-up the workflow functionality which allowed the District to utilize on-line requisition function. All of the schools and departments were trained in requisition entry as well as inquiry process associated with budget allocations, purchase orders and payments. Additional training was provided by the management applications team and Oracle consultants to the purchasing team, child nutrition department, and other department personnel on the use of procure-to-pay operations.

3) Financial Process - Period Close Process Training

The management applications team partnering with Oracle Consultants provided training sessions on closing procedures to the operational supervisor for each module. These sessions covered month-end and year-end processes. For reinforcement, follow-up sessions were held with accounting consultants. Documentation was provided for all of the sessions. These sessions lay the foundation for beginning period closing of the ledger in fiscal 2005.

4) Accounts Payable Training Manual

A key effort was the development of an accounts payable manual. The manual is comprehensive covering Oracle and accounts payable procedures. This manual provides a valuable reference guide and will serve as a training tool for new employees. Current staff and all new staff members will receive training on the manual.

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REFERENCE # AND TITLE: 2003-7 Fixed Assets

A. Restoration of Fixed Asset Controls and Accounting Improvements

During fiscal 2004, several changes were made to improve the control environment for fixed assets. These included:

- 1) Training and planning sessions with fixed asset staff conducted by accounting consultants;
- 2) Improved communication with the purchasing department, resulting in receipt of purchase order copies from the purchasing department and assistance with tracking purchases with special revenue funds;
- 3) Acquisition of purchase orders through the Oracle system;
- 4) Assignment of responsibility for each school and department to the (3) fixed asset accountants to ensure tracking of additions, deletions and transfers at all schools and departments;
- 5) Improvement in the timeliness for an annual physical inventory;
- 6) Continuity in enforcement of board-approved policy, and improvement in control of and maintenance of fixed asset data files; and
- 7) For asset valuation and depreciation purposes, all building improvements, including CIP III expenditures of \$175 million since fiscal 1999 have been broken out by year of improvement.

B. Additional Plans to Improve Controls

- 1) Monthly activity reports of volume of additions, deletions and transfers;
- 2) On-site inventory inspections by fixed asset and/or internal audit staff to assure all asset additions are being tagged and possible physical inventory by external company;
- 3) Return to Oracle Fixed Assets Accounting module or other software designed specifically for fixed asset accounting – in place of currently used Microsoft Excel generic program; and
- 4) Obsolete and/or surplus property sales.

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REFERENCE # AND TITLE: 2003-8 Special Revenue / Billing

Timeliness submission of requests for reimbursement improved significantly for fiscal 2004. This was due in large part to the posting of payroll on a current basis and additional resources supplied to the special revenue accountants. Also, concurrent with the timely posting of payroll, requests were made based upon actual expenditures rather than based upon estimated amounts, as in fiscal 2003.

Other efforts during fiscal 2004 to improve the management of special revenue programs included hiring of a new administrator for special revenue programs along with a compliance specialist for administration.

The entire accounting department, including special revenue accounting, have been under review. Recently, a staff auditor from the internal audit department was assigned on an interim basis to supervise special revenue accounting. A number of sweeping recommendations for operational improvement were included in the findings of two reviews, both prepared by Deloitte Consulting. The recommendations in the reports, both released in December 2004, are being studied and melded with reorganization plans which will be submitted as part of a fiscal 2005 budget revision.

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REFERENCE # AND TITLE: 2003-9 Internal Audit Function

Beginning with the receipt in February 2004 of the fiscal 2003 audit report and findings, there was a significant increase in internal audit department involvement in several key activities. With the senior internal audit staff member serving as interim department head, these included:

- 1) Collaboration with the Legislative Auditor's staff on various investigative audits;
- 2) Participation in efforts to improve human resource and payroll operations and controls; and
- 3) Monitoring completion of corrective action plan measures and facilitating completion of tasks and preparation of data for the external audit.

In October 2004, the School District was able to hire an internal audit director as its top administrator. The operations and staffing of the internal audit department were studied in detail by Deloitte Consulting. As in the case of special revenue accounting (see update above for 2003-8 audit finding), a number of recommendations for the future role of the internal audit function are included. Currently, due to vacancy in the CFO position, the Internal Audit Director is currently serving as the interim CFO.

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REFERENCE # AND TITLE: 2003-10 Budget, Finance and Accounting Department Staffing

Recruiting and retaining a Chief Financial Officer (CFO) has proven to be been a difficult task. However, based upon known shortcomings in controls and assignments, several changes in responsibility were implemented in January 2004.

Relative to the CFO position, during early fiscal 2003, the School District was hired a seasoned finance professional; however, after less than three months service, the incumbent made a decision to not remain in governmental finance. During the ensuing five-month period, the CFO duties were handled at different intervals by a consultant and then the Deputy Superintendent for Operations.

In April 2004, a retired CFO with a school finance background was hired. Initial efforts of the CFO were directed to implementing the Corrective Action Plan to address the fiscal 2003 audit findings and assess staffing. For organizational simplicity, the staffing within the accounting and finance departments were consolidated.

An updated reorganization plan was prepared and presented in connection with the fiscal 2005 budget. Adoption was deferred due to the Deloitte Consulting review (see 2003-2 D) and a separate payroll operations study. Additionally, an audit of staffing and functions was mandated to be completed by December 2004 through Act 193 of the Louisiana Legislature.

In late November 2004, when the CFO was reassigned to other responsibilities, the Superintendent appointed as interim CFO a financial consultant who had been providing services to the School District during the past year.

The reorganization is scheduled to be submitted to the board at its January 2005 business meeting. In the meantime, some interim responsibility changes in accounting have been implemented as well as advertising for known needed positions, such as Accounting Supervisor and Payroll Director.

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REFERENCE # AND TITLE: 2003-11 Journal Entries

Because of additional experience with the Oracle system gained by staff and quality improvement in journal entry preparation, there has been a significant reduction in the number of entries, including duplicate entries.

In January 2004, a revised process with improved controls was developed and implemented for general journal entries. An interim administrator of accounting was appointed to monitor the submission of and documentation for journal entries. Additionally, authority to post journal entries was restricted while new procedures were enacted to increase controls over journal entry documents.

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REFERENCE # AND TITLE: 2003-12 General Ledger Chart of Accounts

The basic chart of accounts used by the School District is based upon the structure prescribed by the Louisiana Department of Education in its *Louisiana Accounting and Uniform Governmental Handbook*. While improvements have been made in the preparation of journal entries by staff, finance administration will continue to be alert to opportunities to identify methods to streamline accounting for payroll withholding and other accounts, including through finalization of the cross-validation rules effort. Many of the payroll withholding accounts are required to account for employee and employer retirement and health insurance contributions, cafeteria plan options, tax sheltered annuity contributions, professional dues and involuntary deductions.

During 2004, efforts were made to solve the issue regarding the program that posts to the "0000" source of funds for interfund account entries. Initial research identified two causes: 1) lack of closing the monthly ledger (during this process, the Oracle System is programmed to generate entries to eliminate temporary entries made to assist with balancing interfund entries); and 2) the posting instruction for daily interfund transactions had been set up in reverse. The solution to the first problem will be addressed as part of regularly closing the ledger - expected to begin in late fiscal 2005. To solve the second problem, the assistance of Oracle support personnel will be needed. Research discovered a program problem. Efforts to solve this problem will be resumed upon completion of the audit.

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REFERENCE # AND TITLE: 2003-13 Delinquent Submission of Audited Financial Statements

Significant efforts were made this year to produce timely and accurate financial information. Accounting consultants were hired to provide additional assistance. New techniques were developed for: cash receipts and cash disbursements, cash flow reporting, accounts payable and journal entry posting. The year-end accounting process included analytical evaluation of interfund and other balance sheet accounts that had not been scrutinized in recent years.

Despite the efforts to reform the accounting process and daily staff activities, a key factor in being able to submit timely financial statements is a stable financial organization. Administration has worked hard (see responses for 2003-3, 2003-5 and 2003-10) to hire a CFO and other department head positions. During the fall of 2004, the vacant Budget Director (vacant since June 2004) was filled. The Internal Audit and Purchasing Director positions (vacant for several fiscal years) have been filled. Several attempts to hire a Risk Management Director have been unsuccessful but the search is continuing with the assistance of members of the financial community. Also, several accounting and payroll personnel positions need to be addressed, as well as the issue of outsourcing of several functions. These issues will be addressed as part of implementing the Deloitte Consulting reports (see response to 2003-1, 2003-2, 2003-8, 2003-9 and 2003-10).

Though the combination of improved financial procedures and staffing of key positions, the School District believes that timely submission of financial statements by December 31 will be a reality for the fiscal year ended June 30, 2005. It is believed that this goal could have been reached for December 31, 2004, but due to the need for additional time to present the most accurate financial results possible, it was determined not to issue the financial statements until the required financial analysis was completed.

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REFERENCE # AND TITLE: 2003-14 Proper Interfund Transactions and Identification of Proper Fund

During fiscal 2004, accounting staff received training on the correct method of handling interfund and other transactions. Further efforts have been made, as cited in the responses

for 2003-12 and 2003-13 , to improve the accounting in this area.

The in-depth analysis of the June 30, 2004 interfund balances should reduce the time to bring account balances up to date during fiscal 2005. Accounting consultants have begun reconciling the interfund accounts for fiscal 2005.

Staffing recommendations in the accounting reorganization plan and the Deloitte Consulting reports are being evaluated to continue the monthly reconciliations. With the completion of the fiscal 2004 audit, efforts will begin to close monthly periods in the Oracle System, which will include the use of the month-end mass allocation feature in the Oracle financial system. This will reduce accountant analysis time and the number of required monthly manual journal entries.

Also, the accounting consultants are developing reports to facilitate daily verification of the status of interfund accounts and to identify interfund entries, not including receivable and payable entries. These tools will aid in maintaining interfund balances. Implementation of this procedure is scheduled for April 2005.

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REFERENCE # AND TITLE: 2003-15 Student Activity Funds and On-Site Purchasing

The Student Activity Fund (SAF) Accountant has continued to provide training programs for school business managers. Emphasis has been placed on correcting the deficiencies cited in the fiscal 2003 audit findings. The internal audit department has continued its monitoring and auditing efforts.

The Student Activity Fund Accountant provided training in August 2004 and distributed an updated *SAF Procedures Manual*. This manual is intended to give guidance, promote consistency and give structure to the business services performed by business managers/treasurers/itinerant business managers throughout the School District. This manual provides systematic and descriptive procedures for performing certain tasks. At the workshops, an updated procedure manual for the Windows Version (8.6.2) of the Manatee Accounting Software program was also distributed. In April 2004, another reinforcement review was conducted for business managers. This review covered in- depth the following topics:

- Audit Report and Findings (FY06/30/03) Related to SAF
- NSF Checks
- How to Record Adjustments
- Outstanding Checks over One Year Old
- Transferring of Funds
- Site-Based Purchasing Funds (Issuing Purchase Orders)

After several advertisements of the vacancy, the Internal Audit Director's position was filled in October 2004. Since that time, the director has focused efforts on reorganizing staff efforts, working with the consultants from Deloitte Consulting, developing an audit plan, assisting with revising special revenue documentation procedures, and implementing audit practices to achieve improved audit results and utilization of resources.

Regarding the future of the site-based purchasing option, which is utilized by approximately 50 schools (slightly over 40%), an evaluation to determine future use will be done after the external audit and will include consideration of the comments regarding its use, outlined in the Deloitte Consulting report.

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REFERENCE # AND TITLE: 2003-16 Workman's Compensation – Titles I, Part A, Title I, Accountability, Title II, Part A, Special Education Cluster and Child Nutrition Cluster

Management will draft specifications for an actuarial study to obtain updated workman's compensation rates. This task will be completed by the newly hired (March 2005) Risk Management Director, with the assistance of the Purchasing Director. Completion date for the study is May 31, 2005.

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REFERENCE # AND TITLE: 2003-17 Suspension and Disbarment - Titles I, Part A, Title I Accountability, Title II, Part A and Special Education Cluster

Effective March 2004, the Purchasing Department implemented a procedure to obtain the required certification. The certification is included with all requests for bids that exceed \$100,000, regardless of funding.

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REFERENCE # AND TITLE: 2003-18 Employee Certifications - Title I, Part A

As disclosed in the finding, the *Federal Employee Verification* forms were initially completed on a prospective basis; therefore, the work certifications for fiscal 2003 were subsequently confirmed by the program manager and employee through the completion of affidavits. These are on file with the finance department and are housed in the office of the special revenue accountant. Also, the *Federal Employee Verification* forms have been revised to require the signature of an employee or supervisory official having first hand knowledge of the work performed by the employee, in accordance with OMB guidelines, as opposed to the signature of the federal program administrator. In addition, procedures have been implemented to prevent the reoccurrence of this citation as well as obtain all of the required signed certification forms.

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REFERENCE # AND TITLE: 2003-19 Employee Classifications - Title I, Part A

Prior to submission to the Louisiana Department of Education, all reimbursement requests are being reviewed by program managers to verify personnel charges. During fiscal 2004, there was increased emphasis on correcting incorrect charges in the general ledger on a timely basis.

Significant changes are being made to strengthen the classification of employees charged to all externally funded programs. The changes include reorganization of the administrative oversight by program managers and strengthening of the accounting for externally funded programs. A Grants Accounting Supervisor has been appointed and additional efforts are being made to ensure adherence to state guidelines and regulations. In addition, bi-weekly meetings among budget, human resources, special revenue accounting and management of externally funded programs will be held in order to address any needed salary charge code corrections.

These changes reflect a combination of process changes identified by School District management and the recommendations in the Deloitte Consulting report.

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REFERENCE # AND TITLE: 2003-20 Disbursement Support - Title I, Part A

During fiscal 2004 and 2005, School District management has increased its efforts to ensure that proper documentation of receipt of goods and services is obtained and maintained for all purchases. These efforts have included: 1) advertisement to hire a accounts payable supervisor, a position which has been filled for several years on an interim basis; 2) joint meetings between the accounts payable department, purchasing department, and other department heads to ensure that proper documentation is submitted for purchases; 3) development of written payment processing procedures for accounts payable staff; and 4) increased emphasis on maintaining the integrity of accounts payable files and reference cards for file removal.

In accordance with the recommendations in the Deloitte Consulting report, other changes are planned to improve controls and payables operations.

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REFERENCE # AND TITLE: Item 2003-21 Comparability Reporting- Title I, Part A

The Title I program manager has worked collaboratively with the compliance and quality control unit to ensure that the annual Comparability Report is completed timely by November 1.

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REFERENCE # AND TITLE: Item 2003-22 Employee Certifications - Title II, Part A

As disclosed in the finding, the *Federal Employee Verification* forms were initially completed on a prospective basis; therefore, the work certifications for fiscal 2003 were subsequently confirmed by the program manager and employee through the completion of affidavits. These are on file with the finance department and are housed in the office of the special revenue accountant. Also, the *Federal Employee Verification* forms have been revised to require the signature of an employee or supervisory official having first hand knowledge of the work performed by the employee, in accordance with OMB guidelines, as opposed to the signature of the federal program administrator. In addition, School District procedures have been put in place to prevent the reoccurrence of this citation.

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REFERENCE # AND TITLE: 2003-23 Employee Classifications - Title II, Part A

Prior to submission to the Louisiana Department of Education, all reimbursement requests are now reviewed by program managers for verification of personnel charges. During fiscal 2004, there was increased emphasis on correcting error in the general ledger on a timely basis.

Significant changes are being made to strengthen the classification of employees charged to all externally funded programs. The changes include reorganization of the administrative oversight by program managers and strengthening of the accounting for externally funded programs. A grants accounting supervisor has been appointed and additional efforts are being made to ensure adherence to State guidelines and regulations. In addition, bi-weekly meetings among budget, human resources, special revenue accounting and management of externally funded programs will be held in order to address any needed salary charge code corrections.

These changes reflect a combination of process changes identified by management and the recommendations in the Deloitte Consulting report.

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3510 General de Gaulle Drive
New Orleans, Louisiana

Telephone: (504) 304-5500
Email: rosalyne_dennis@nops.k12.la.us

Anticipated completion date: Ongoing

REFERENCE # AND TITLE: 2003-24 Disbursement Support - Title II, Part A

During fiscal 2004 and 2005, School District management has increased its efforts to ensure that proper documentation of evidence of receipt of goods and services is obtained and maintained for all purchases. These efforts have included: 1) advertisement to hire an accounts payable supervisor, a position which has been filled for several years on an interim basis; 2) joint meetings between accounts payable, purchasing, external funded programs and other department heads to ensure that proper documentation is submitted for purchases; 3) development of written payment processing procedures for accounts payable staff; and 4) increased emphasis on maintaining the integrity of accounts payable files and reference cards for file removal.

In accordance with the recommendations in the Deloitte Consulting report, other changes are being planned to improve controls and payables operations.

Person responsible for corrective action:

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Anticipated completion date: Ongoing

REFERENCE # AND TITLE: 2003-25 Employee Certifications - Child Nutrition

Management in the child nutrition department has reviewed its process flow and has implemented the signature requirements in accordance with OMB Circular A-87. Follow-up procedures have been designed as it relates to receiving and submitting certifications for all employees, including terminated employees. For fiscal year 2003-04, child nutrition management has established procedures to ensure that all employees that are on leave or terminate their employment prior to certification are accounted for by having the cafeteria manager or field supervisor that has knowledge of the work performed by the employee, will sign the form.

Person responsible for corrective action:

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Anticipated completion date: Ongoing

REFERENCE # AND TITLE: 2003-26 Disbursement Support - Child Nutrition Cluster

Child nutrition management understands the provisions of OMB Circular A-87. The department maintains copies of all supporting documentation that has been submitted to the

accounts payable department. If needed, alternative documentation can be provided by the child nutrition financial staff.

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3510 General de Gaulle Drive	
New Orleans, Louisiana	

Anticipated completion date: Ongoing

REFERENCE # AND TITLE: 2003-27 Employee Certifications - Special Education Cluster

As disclosed in the finding, the *Federal Employee Verification* forms were initially completed on a prospective basis; therefore, the work certifications for fiscal 2003 were subsequently confirmed by the program manager and employee through the completion of affidavits. These are on file with the finance department and are housed in the office of the special revenue accountant. Also, the *Federal Employee Verification* forms have been revised to require the signature of an employee or supervisory official having first hand knowledge of the work performed by the employee, in accordance with OMB guidelines, as opposed to the signature of the federal program administrator. In addition, School District procedures have been put in place to prevent the reoccurrence of this citation, as well as obtain all of the required signed verification forms.

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New Orleans, Louisiana	

Anticipated completion date: Ongoing

REFERENCE # AND TITLE: 2003-28 Estimated Salaries - Special Revenue Cluster

Unlike prior fiscal years, the payroll costing process was handled on a current basis for most of fiscal 2004. Thus, for fiscal 2004, reimbursement requests were filed using actual salary expense amounts. The payroll costing process, which consists of a review and correction (as necessary) of payroll transactions and budget codes prior to posting to the general ledger, is integral to producing the salary accounting data for financial reporting and reimbursement requests.

Person responsible for corrective action:

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New Orleans, Louisiana

Anticipated completion date: Ongoing

REFERENCE # AND TITLE: 2003-29 Estimated Salaries - Title I, Part A, Title I Accountability, Title II, Part A and Special Education Cluster

Unlike prior fiscal years, the payroll costing was handled on a current basis for most of fiscal 2004. Thus, for fiscal 2004, reimbursement requests were filed using actual salary expense amounts. The payroll costing process, which consists of a review and correction (as necessary) of payroll transactions and budget codes prior to posting to the general ledger, is integral to producing the salary accounting data for financial reporting and reimbursement requests.

Person responsible for corrective action:

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Anticipated completion date: Ongoing

ORLEANS PARISH SCHOOL BOARD

PERFORMANCE AND STATISTICAL DATA

FOR THE YEAR ENDED JUNE 30, 2004



Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

To the Members of the
Orleans Parish School Board
New Orleans, Louisiana:

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of Orleans Parish School Board and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of Orleans Parish School Board and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

Supporting documentation could not be provided for 4 transactions. We noted no exceptions in the remaining sample of 21 transactions tested except that ad valorem taxes are not posted to the general ledger separately for constitutional, renewable and debt service but are all posted as real estate taxes either personal property or real estate. At the end of the year the Budget Department makes adjustments for reporting.

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1st.

The total number of teachers reported on Schedule 2, and Schedule 4 was the same. We were unable to reconcile the total number of full-time teachers per Schedule 4 and Schedule 2 to school board supporting payroll records as of October 1st.

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.

We noted no exceptions.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

We noted two (2) exceptions. The personnel file for one sampled teacher could not be located and in one instance the education level was not properly classified on the schedule. The education level of one teacher was reported as a Masters per the personnel file and as a BA per the schedule.

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

We compared the list of schools and grade levels as reported on the National School Lunch Program application and noted the following exceptions:

- 1) There was a total of 126 schools listed per the schedule and 125 schools listed per the application.
- 2) Four (4) schools were listed per the schedule but were not included on the application.

Middle Level Alternative
New Orleans Center for Science/Math High
New Technology High
Real World Options (Pre-GED)

- 3) Three (3) schools were listed per the application but were not included on the schedule.

P.A. Capdua Junior High
L.B. Landry Middle School
O.P. Walker Middle School

Experience of Public Principals and Full-time Classroom Teachers (Schedule 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

The personnel file for one (1) individual could not be located.

The experience of five (5) individuals per the personnel file did not agree to the individual's experience as classified on the schedule.

Public Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

There was one classroom teacher whose compensation as included on the schedule did not agree to the individual's personnel file.

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

We were unable to perform this recalculation based upon the information provided.

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

The testing of class roll books resulted in ten exceptions. The class size per schedule was less than the class size per roll books in two instances. The class size per schedule exceeded the class size per roll book in five instances. The class roll book could not be located for testing in three instances.

Louisiana Educational Assessment Program (LEAP) for the 21st Century (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Orleans Parish School Board.

We noted no exceptions.

The Graduation Exit Exam for the 21st Century (Schedule 8)

11. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Orleans Parish School Board.

We noted no exceptions.

The Iowa Tests (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by Orleans Parish School Board.

We noted no exceptions.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Orleans Parish School Board, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Prothman & Metten

March 9, 2005



General Fund Instructional and Support Expenditures and Certain Local Revenue
Sources For the Year Ended June 30, 2004

General Fund Instructional and Equipment Expenditures

General Fund Instructional

	<u>Amount</u>	
Teacher and Student Information Activities: (51100-51799)		
Classroom Teacher Salaries (112,113,115,123,140)	\$ 151,414,213	
Other Instructional Activities (430,890,500s, and all other)	19,782,534	
Employee Benefits (200s)	41,105,975	
Purchased Professional and Technical Services (300s)	4,783,352	
Instructional Materials and Supplies (610,642)	6,166,432	
Instructional Equipment (730-739)	<u>165,743</u>	
Total Teacher and Student Instructional Activities		223,418,248
 Pupil Support Activities (52100s)	32,059,317	
Less: Equipment for Pupil Support Activities (730-739)	<u>(5,534)</u>	
Net Pupil Support Activities		32,053,783
 Instructional Staff Services (52200s)	12,797,386	
Less: Equipment for Instructional Staff Services (730-739)	<u>(244,283)</u>	
Net Instructional Staff Services		<u>12,553,104</u>
 Total General Fund Instructional Expenditures		<u>268,025,134</u>
 Total General Fund Equipment Expenditures (51100-59999) then (730-739)		<u>1,583,986</u>

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes (41111)	\$ 53,882,830
Renewable Ad Valorem Tax (41112)	27,789,119
Debt Service Ad Valorem Tax (41113)	21,221,845
Up to 1% of Collections by Sheriff on Taxes Other than School Taxes (1114)	-
Sales and Use Taxes (41130)	<u>93,252,992</u>
Total Local Taxation Revenue	<u>\$ 196,146,787</u>

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property (41541)	\$ -
Earnings from Other Real Property (41542)	-
Total Local Earnings on Investment in Real Property	<u>\$ -</u>

State Revenue in Lieu of Taxes:

Revenue Sharing-Constitutional Tax (43810)	\$ -
Revenue Sharing- Other Taxes (43815)	3,321,844
Revenue Sharing- Excess Portion (43820)	-
Other Revenue in Lieu of Taxes (43890)	-
Total State Revenue in Lieu of Taxes	<u>\$ 3,321,844</u>

Nonpublic Textbook Revenue (43255)	<u>\$ 648,245</u>
Nonpublic Transportation Revenue (43250)	<u>\$ 822,087</u>

Prepared by the Orleans Parish School Board

Schedule 2

**Orleans Parish School Board
Educational Levels of Public School Staff
As of October 1, 2003**

Category	Full Time Classroom Teachers			Principals & Assistant Principals		
	Certificated		Uncertificated	Certificated		Uncertificated
	Number	Percent		Number	Percent	
Less than a Bachelor's Degree	7	0.16%	13	0	0.00%	0
Bachelor's Degree	3071	69.12%	236	12	5.91%	0
Master's Degree	1040	23.41%	17	89	43.84%	0
Master's Degree +30	286	6.44%	2	90	44.33%	0
Specialist in Education	5	0.11%	0	1	0.49%	0
Ph. D. or Ed. D.	34	0.77%	2	11	5.42%	0
Total	4443	100.00%	270	203	100.00%	0

Prepared by the Orleans Parish School Board

**Orleans Parish School Board
Number and Type of Public Schools
For the Year Ended June 30, 2004**

Schedule 3

Type	Number
Elementary	77
Middle/Jr. High	20
Secondary	26
Combination	3
Total	126

Note: Schools opened or closed during the fiscal year are included in this schedule

Prepared by the Orleans Parish School Board

Schedule 4

**Orleans Parish School Board
Experience of Public Principals and Full Time Classroom Teachers
As of October 1, 2003**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	0	0	8	15	7	6	21	57
Principals	0	0	13	10	12	22	89	146
Classroom Teachers	438	434	1122	365	423	494	1438	4714
Total	438	434	1143	390	442	522	1548	4917

Prepared by the Orleans Parish School Board

**Orleans Parish School Board
Public School Staff Data
For the Year Ended June 30, 2004**

Schedule 5

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers Salary Including Extra Compensation	\$38,314	\$38,194
Average Classroom Teachers Salary Excluding Extra Compensation	\$38,314	\$38,194
Number of Teacher Full-time Equivalents (FTE's) used in Computation of Average Salaries	4,656	4,546

Note: Figures reported include all sources of funding (i.e. Federal, State and Local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers and ROTC teachers receive more compensation because of federal supplement. Therefore, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes and temporary employees.

Prepared by the Orleans Parish School Board

Orleans Parish School Board
Class Size Characteristics
For the Year Ended June 30, 2004

SCHOOL TYPE	TYPE TOTAL	PerCent	1 Thru 20	PerCent	21Thru 26	PerCent	27 Thru 33	PerCent	34+
Elementary	1199	32.86%	394	58.97%	707	6.34%	76	1.83%	22
Middle	3794	33.74%	1280	32.34%	1227	30.76%	1167	3.16%	120
Senior High	4447	32.20%	1432	22.42%	997	43.02%	1913	2.36%	105
TOTALS	9440		3106		2931		3156		247

Prepared by the Orleans Parish School Board

Orleans Parish School Board
Louisiana Educational Assessment Program (LEAP)/GEE 21
For the Year Ended June 30, 2004

GRADE 4

District Achievement Level Results		English/Language Arts							
Students		2004		2003		2002		2001	
Grade 4		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Advanced		67	1%	0	0%	71	1%	0	0%
Proficient		666	10%	350	5%	428	6%	530	7%
Basic		1,930	29%	2,098	30%	1,711	24%	2,345	31%
Approaching Basic		1,664	25%	2,098	30%	2,424	34%	2,118	28%
Unsatisfactory		2,328	35%	2,448	35%	2,496	35%	2,573	34%
Total		6,655	100%	6,994	100%	7,130	100%	7,566	100%

District Achievement Level Results		Science							
Students		2004		2003		2002		2001	
Grade 4		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Advanced		0	0%	0	0%	71	1%	0	0%
Proficient		266	4%	209	3%	143	2%	227	3%
Basic		1,528	23%	1,327	19%	1,429	20%	1,436	19%
Approaching Basic		2,524	38%	3,073	44%	2,571	36%	3,023	40%
Unsatisfactory		2,324	35%	2,374	34%	2,929	41%	2,872	38%
Total		6,642	100%	6,983	100%	7,143	100%	7,558	100%

Note: The percent of students across achievement levels may not add to 100 due to rounding.

These figures reflect the entire population in the Orleans Parish district for 2004 testing.

Orleans Parish School Board
Louisiana Educational Assessment Program (LEAP)/GEE 21, Continued
For the Year Ended June 30, 2004

GRADE 4

District Achievement Level Results			Mathematics					
Students	2004		2003		2002		2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4								
Advanced	67	1%	70	1%	71	1%	76	1%
Proficient	333	5%	280	4%	285	4%	302	4%
Basic	1,796	27%	1,958	28%	1,426	20%	1,890	25%
Approaching Basic	1,663	25%	1,818	26%	1,711	24%	1,890	25%
Unsatisfactory	2,793	42%	2,888	41%	3,637	51%	3,400	45%
Total	6,652	100%	6,994	100%	7,130	100%	7,558	100%

District Achievement Level Results			Social Studies					
Students	2004		2003		2002		2001	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4								
Advanced	0	0%	0	0%	0	0%	0	0%
Proficient	332	5%	209	3%	142	2%	378	5%
Basic	1,991	30%	2,024	29%	1,705	24%	2,041	27%
Approaching Basic	1,726	26%	2,233	32%	1,918	27%	1,965	26%
Unsatisfactory	2,588	39%	2,512	36%	3,339	47%	3,175	42%
Total	6,637	100%	6,978	100%	7,104	100%	7,559	100%

Note: The percent of students across achievement levels may not add to 100 due to rounding.

These figures reflect the entire population in the Orleans Parish district for 2004 testing.

Orleans Parish School Board
Louisiana Educational Assessment Program (LEAP)/GEE 21, Continued
For the Year Ended June 30, 2004

GRADE 8

District Achievement Level Results		Mathematics					
Students	Grade 8	2004		2003		2002	
		Number	Percent	Number	Percent	Number	Percent
	Advanced	56	1%	61	1%	64	1%
	Proficient	112	2%	122	2%	64	1%
	Basic	1,452	26%	1,036	17%	836	13%
	Approaching Basic	1,284	23%	1,280	21%	1,415	22%
	Unsatisfactory	2,680	48%	3,594	59%	4,051	63%
	Total	5,584	100%	6,093	100%	6,430	100%

District Achievement Level Results		Social Studies					
Students	Grade 8	2004		2003		2002	
		Number	Percent	Number	Percent	Number	Percent
	Advanced	46	1%	0	0%	0	0%
	Proficient	182	4%	147	3%	149	3%
	Basic	958	21%	977	20%	1,041	21%
	Approaching Basic	1,322	29%	1,319	27%	1,240	25%
	Unsatisfactory	2,052	45%	2,443	50%	2,529	51%
	Total	4,560	100%	4,886	100%	4,959	100%

Note: The percent of students across achievement levels may not add to 100 due to rounding.

These figures reflect the entire population in the Orleans Parish district for 2004 testing.

Orleans Parish School Board
Louisiana Educational Assessment Program (LEAP)/GEE 21
For the Year Ended June 30, 2004

GRADE 8		English/Language Arts							
District Achievement Level Results		2004		2003		2002		2001	
Students		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8									
Advanced		0	0%	0	0%	55	1%	0	0%
Proficient		199	4%	262	5%	332	6%	239	4%
Basic		898	18%	891	17%	831	15%	1,015	17%
Approaching Basic		1,895	38%	1,888	36%	2,216	40%	2,268	38%
Unsatisfactory		1,995	40%	2,203	42%	2,107	38%	2,447	41%
Total		4,987	100%	5,244	100%	5,541	100%	5,969	100%

District Achievement Level Results		Science							
Students		2004		2003		2002		2001	
Grade 8		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Advanced		0	0%	49	1%	0	0%	51	1%
Proficient		229	5%	196	4%	199	4%	205	4%
Basic		641	14%	736	15%	747	15%	717	14%
Approaching Basic		1,237	27%	1,571	32%	1,495	30%	1,229	24%
Unsatisfactory		2,474	54%	2,356	48%	2,542	51%	2,917	57%
Total		4,581	100%	4,908	100%	4,983	100%	5,119	100%

Note: The percent of students across achievement levels may not add to 100 due to rounding.

These figures reflect the entire population in the Orleans Parish district for 2004 testing.

Orleans Parish School Board
Louisiana Educational Assessment Program (LEAP)/GEE 21, Continued
For the Year Ended June 30, 2004

GRADES 10 and 11		Mathematics					
District Achievement Level Results		2004		2003		2002	
Students		Number	Percent	Number	Percent	Number	Percent
Grades 10 and 11							
Advanced		206	5%	136	2%	173	3%
Proficient		331	8%	339	5%	231	4%
Basic		1,034	25%	1,356	20%	807	14%
Approaching Basic		662	16%	1,152	17%	692	12%
Unsatisfactory		1,903	46%	3,796	56%	3,860	67%
Total		4,136	100%	6,779	100%	5,763	100%
District Achievement Level Results		Social Studies					
Students		2004		2003		2002	
Grades 10 and 11		Number	Percent	Number	Percent	Number	Percent
Advanced		35	1%	37	1%	39	1%
Proficient		210	6%	221	6%	157	4%
Basic		1,153	33%	922	25%	1,020	26%
Approaching Basic		839	24%	811	22%	745	19%
Unsatisfactory		1,257	36%	1,696	46%	1,962	50%
Total		3,494	100%	3,687	100%	3,923	100%

Note: The percent of students across achievement levels may not add to 100 due to rounding.

These figures reflect the entire population in the Orleans Parish district for 2004 testing.

Orleans Parish School Board
Louisiana Educational Assessment Program (LEAP)/GEE 21
For the Year Ended June 30, 2004

GRADES 10 and 11

District Achievement Level Results	English/Language Arts					
	2004		2003		2002	
Students	Number	Percent	Number	Percent	Number	Percent
Grades 10 and 11						
Advanced	41	1%	0	0%	102	2%
Proficient	368	9%	284	5%	337	7%
Basic	1,022	25%	964	17%	1,075	21%
Approaching Basic	940	23%	1,135	20%	1,060	22%
Unsatisfactory	1,717	42%	3,347	59%	2,216	46%
Total	4,088	100%	5,730	100%	5,171	100%

District Achievement Level Results	Science					
	2004		2003		2002	
Students	Number	Percent	Number	Percent	Number	Percent
Grades 10 and 11						
Advanced	70	2%	74	2%	79	2%
Proficient	210	6%	221	6%	237	6%
Basic	806	23%	738	20%	672	17%
Approaching Basic	946	27%	812	22%	751	19%
Unsatisfactory	1,437	41%	1,844	50%	2,213	56%
Total	3,469	100%	3,689	100%	3,952	100%

Note: The percent of students across achievement levels may not add to 100 due to rounding.

These figures reflect the entire population in the Orleans Parish district for 2004 testing.